

**CITY OF LAKE FOREST, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**WITH REPORT ON AUDIT**  
**BY INDEPENDENT**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**FISCAL YEAR ENDED JUNE 30, 2016**

**Prepared by:**

**Finance Department**

**Keith D. Neves**  
**Deputy City Manager/**  
**Director of Finance/City Treasurer**



# CITY OF LAKE FOREST

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**Mayor**  
Andrew Hamilton

**Mayor Pro Tem**  
Scott Voigts

**Council Members**  
Dr. Jim Gardner  
Adam Nick  
Dwight Robinson

December 19, 2016

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Lake Forest: **City Manager**  
Robert C. Dunek

The Comprehensive Annual Financial Report of the City of Lake Forest, for the fiscal year ended June 30, 2016, is submitted herewith; this report was prepared by the auditors and the Finance Department.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, the management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally-accepted accounting principals ("GAAP"). Because the cost of internal controls should not outweigh the benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by White Nelson Diehl Evans LLP, a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ending June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis: evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the City's financial statements for the fiscal year ended June 30, 2016, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

As a recipient of Federal, State, and County financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluations by management. Under Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, which was revised June 24, 1997, the City did not meet the criteria for periodic evaluation and, therefore, was not required to have a single audit performed for fiscal year ended June 30, 2016.



GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditors Report.

### **Profile of the Government**

The City of Lake Forest ("City"), incorporated on December 20, 1991, is located in southern Orange County, California, in the area commonly referred to as the Saddleback Valley. It currently occupies 16.6 square miles and serves a population of 83,910 (Department of Finance, January 2016). It is the County's 31<sup>st</sup> city and the 2<sup>nd</sup> largest city within the Saddleback Valley. The City is empowered by state statute to extend its corporate limits by annexation, which it has done twice in the City's history.

The City has operated under the council-manager form of government since 1991. Policy making and legislative authority are vested in a City Council consisting of the mayor and four other council members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The City Council is elected on a non-partisan basis. Council members serve four-year staggered terms. The mayor serves a one-year term and is selected for the position annually by the City Council as a whole. All members of the Council are elected at large, not by district.

Lake Forest is a "contract city," primarily utilizing agreements with other governmental entities and private firms to provide traditional municipal services to the community. Through this process, the City provides a full range of services, including: police protection; the construction and maintenance of highways, streets, and other infrastructure; recreational and cultural activities; and, building and safety, land use planning, and zoning control services. The City is financially accountable for the Lake Forest Housing Authority, which is reported separately within the City's financial statements. The County continues to provide library services, independent of the City. Fire services are provided by a joint powers authority of which the City is a member. Additional information regarding all of these legally separate entities can be found in the notes to the basic financial statements.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager in February of each year. The City Manager uses these request as the starting point for developing a proposed budget. After a series of study sessions with Department Directors, the City Manager formally presents this proposed budget to the City Council for review in May at a Budget Workshop. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget on or around June 30, the close of the fiscal year. The adopted budget is prepared by fund, function, and department. The City Manager may transfer resources within and between departments and/or capital projects as long as overall appropriations are not increased; and, Council notification is required. All other changes to the budget require special approval from the Council.



## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

### **Local Economy**

The health of the general economy of the area has improved over the last couple years, and the City's overall revenues have either grown or remained stable over this period. Revenue increases are anticipated to continue in the current fiscal year. Major industries located in the City include internationally known brand manufacturers of scientific and medical instruments, sunglasses and sports-related goggles, in-flight entertainment and communication systems, hand and power tools, as well as financial institutions, real estate, and insurance companies. Included in a broad retail base are major national chain restaurants, general merchandise, home improvement and specialty stores, situated within various separate shopping centers.

Major sources of employment from industries and companies located within the City's boundaries include: sales, office, and administrative support (28.5%); management, business, and financial operations (22.2%); professional-related occupations (19.8%); and service (11.7%). In addition, companies contributing to the City's tax base are well diversified among general consumer goods, business and industry, restaurants, hotels, and autos/transportation. (Other categories include: construction, extraction, maintenance: 10.9%, farm, fishing, forestry: 0.3% and production, transportation, material moving: 6.6%.)

Because of its location in a region with a varied economic base, unemployment has been relatively stable. During the last ten years, the unemployment rate rose from an initial low of 2.3% in 2006 to a high of 6.6% in 2010 due to the ongoing effects of the recession. Unemployment has been steadily decreasing during the last five years as the economy recovers. The current unemployment rate is 2.9% (Employment Development Department, November 2016).

As a result of revitalization efforts, the City's central location, and diversity of businesses, occupancy rates on commercial properties are currently positive when considering the economic climate. Occupancy rates range from 92% for office space to 94% for industrial properties.

During the past ten years, the City's operating expenditure increases in the General Fund were primarily due to park additions, new neighborhoods, expansion of services, and street maintenance requirements as the City has matured. In the City's major cost centers, expenditures related to police services and public works account for the largest percentage of those increases. The City has contracted police protection services with the County of Orange since incorporation, and the contract represents approximately 38.2% of the General Fund operating budget. Public works cost increases have also been attributed to the Council's dedication to infrastructure and landscape maintenance and an increase from 19 to 29 public parks during the past ten years. In addition, State requirements in regard to water quality have contributed to increased costs. Other functions in the City have increased in scope and budget on a lesser scale.

During the same ten-year period, the City's General Fund operating revenues have grown, with the largest components being sales tax, property taxes, transient occupancy taxes, franchise fees, and motor vehicle in lieu fees (a majority of which are now backfilled from the State).

### **Long-Term Financial Planning**

Unreserved fund balance in the General Fund (91% of total General Fund revenues) falls well above the reserve policy set by the Council for planning and budgetary purposes (i.e. 40% of General Fund revenues and a \$3 million reserve for disasters).

Every two years, the City's Five-Year Strategic Business Plan ("Plan") is updated and approved by the Council. In the current Plan, the Council is now focused on developing the Lake Forest Civic Center – dubbed the Community's "100-Year Home", synchronization of traffic signals, streetscape improvements, a new park and several park renovation projects. Much of the funding for projects will be reimbursed upon new development in future years.

### **Relevant Financial Policies**

The City has a variety of important financial policies to assist in making sound decisions. These policies are shown below:

1. Investment Policy which is more restrictive than State law
2. Long-Term Financing Policy
3. Purchasing and Contract Guidelines
4. Reserve Policy
5. Carryover Appropriation and Revenue Policy

### **Major Initiatives**

The City is currently focusing efforts on a variety of projects as shown below:

1. Achieve significant project milestones for the Lake Forest Civic Center, including production of construction drawings and initiation of site development; the Civic Center will include meeting facilities, a Senior Center, administrative offices, a community policing center, Council Chamber/Performance Venue and a single level parking deck.
2. Continue supporting development of new master planned communities.
3. Synchronize traffic signals and improve street intersections throughout the City.
4. Continue prioritizing the growth and enhancement of the City's Business Development and Attraction Program to attract new businesses and high quality jobs to the City.
5. Complete final design and begin construction on Portola Community Park, begin renovation of Village Pond Park, and study 10 parks to identify needed physical improvements as part of Phase 2 of the Neighborhood and Park Improvement Plan.
6. Develop and initiate a phased work program for a comprehensive update to the City's General Plan.
7. Promote the "Don't Make it Easy" crime prevention campaign via expanded Neighborhood Watch and Business Watch programs.
8. Promote the City's online presence with social media and the new Lake Forest Shop & Dine App.

### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its comprehensive annual financial report for the Fiscal Year ended June 30, 2015. This was the twenty-second consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the City's entire management team and staff of the Finance Department. Special thanks are due to Kevin Shirah, Accounting Manager, and Lee Jueen Siow, Senior Accountant. Their dedicated efforts in the preparation of the final financial documents are reflected in the quality of this report. Credit also must be given to the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully Submitted,



Robert C. Dunek  
City Manager



Keith D. Neves  
Deputy City Manager/Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Lake Forest  
California**

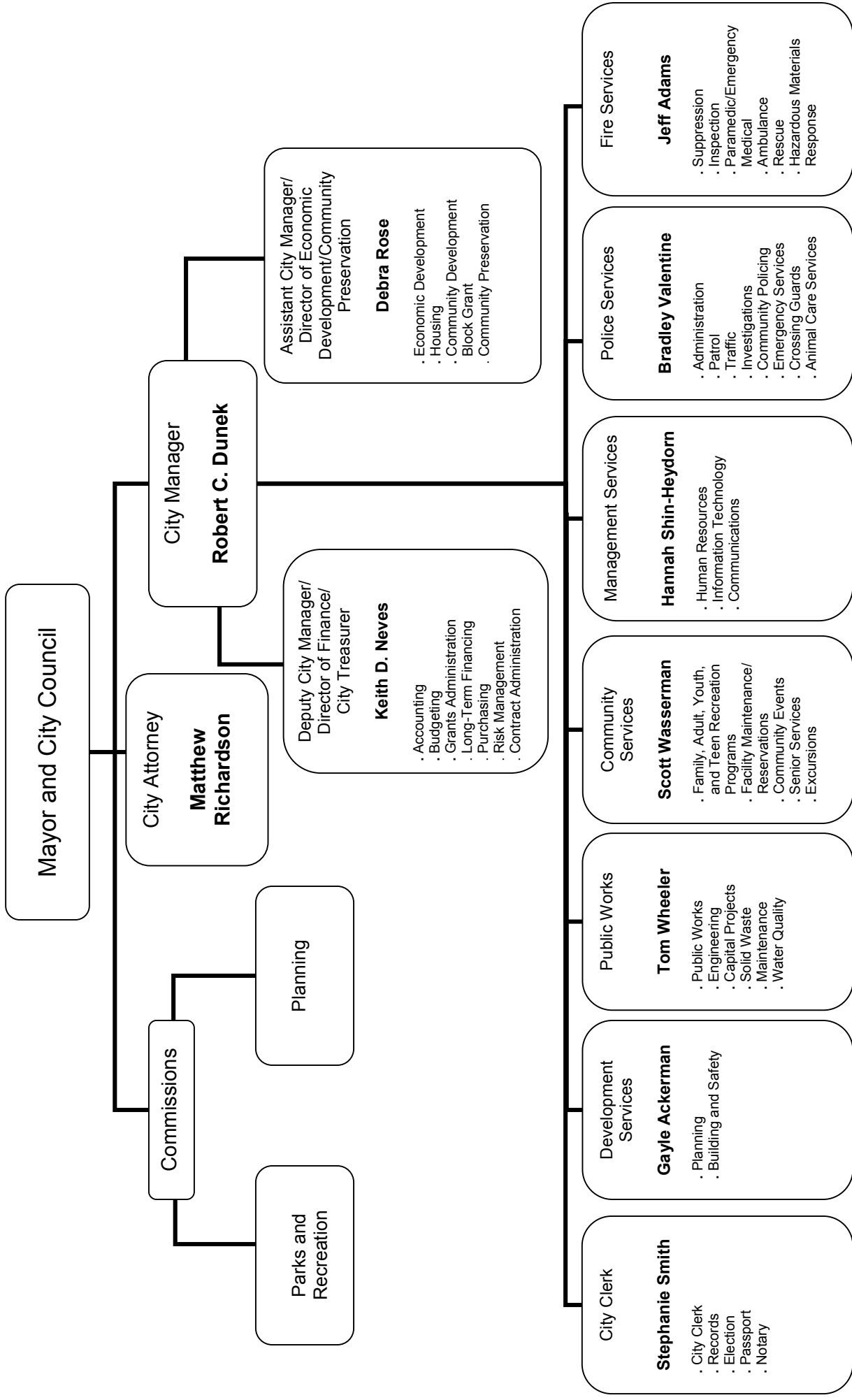
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

# ORGANIZATIONAL CHART



# City of Lake Forest

## City Officials

### City Council

Andrew Hamilton, Mayor  
Scott Voigts, Mayor Pro Tem  
Dr. Jim Gardner, Council Member  
Adam Nick, Council Member  
Dwight Robinson, Council Member

### City Manager

Robert C. Dunek

Gayle Ackerman, Director of Development Services  
Jeff Adams, Division Chief - Fire Services  
Keith D. Neves, Deputy City Manager/Director of Finance/City Treasurer  
Matthew Richardson, City Attorney  
Debra Rose, Assistant City Manager/  
Director of Economic Development – Community Preservation  
Hannah Shin-Heydorn, Director of Management Services  
Stephanie Smith, City Clerk  
Lieutenant Bradley Valentine, Chief of Police Services  
Scott Wasserman, Director of Community Services  
Tom Wheeler, Director of Public Works/City Engineer

Prepared by the Finance Department

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of Lake Forest  
Lake Forest, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Lake Forest (the City) as of and for the year ended June 30, 2016, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lake Forest, as of June 30, 2016, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes 1d and 17 to the financial statements, the City adopted Governmental Accounting Standards Board's Statement No. 72, "*Fair Value Measurement and Application*". The adoption of these standards required retrospective application resulting in a \$326,000 reduction of previously reported fund balance of the other governmental funds. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and the schedule of contributions regarding the defined benefit pension plans, the schedule of funding progress and the schedule of employer contributions regarding the other post-employment benefits plan, and the General Fund and Gas Tax Special Revenue Fund budgetary comparison schedules, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules (supplementary information) and statistical section, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



## **Other Matters (Continued)**

### *Other Information (Continued)*

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*White Nelson Dick Evans LLP*

Irvine, California  
December 19, 2016

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Lake Forest ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. It is encouraged that the readers consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal and the accompanying basic financial statements.

### **Financial Highlights**

#### **Government-Wide**

- Assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$401.5 million (net position). Of this amount, \$53.2 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$29.4 million. This increase is attributable to revenues being in excess of expenses.
- Total revenues from all sources were \$81.6 million as compared to the cost for all City programs of \$51.3 million.

Further discussion of changes in net position, revenues, and expenses is included in the Government-wide Financial Analysis section.

#### **Fund Based**

- Total governmental fund balances were \$110.6 million. Nonspendable were \$0.2 million, restricted were \$57.7 million, assigned were \$18.7 million, and unassigned were \$34.0 million.
- Total governmental fund balances increased by \$31.2 million. This increase is attributable to an excess of revenues as compared to expenditures.
- Total governmental revenues from all sources were \$82.0 million as compared to expenditures of \$50.8 million.

Further discussion of revenues and expenditures is included in the Financial Analysis of the Government's Funds section.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

*Government-wide financial statements.* These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as net position. In time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

The *statement of activities* presents information on how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements include not only the City itself (known as the primary government), but also the legally-separate Lake Forest Housing Authority (Housing Authority) and the Rancho Cañada Financing Authority (Financing Authority) for which the City is financially accountable. Financial information for the Housing Authority (a component unit) is reported separately from the financial information presented for the primary government itself. The Housing and Financing Authorities are presented as other governmental funds. The Housing and Financing Authorities function for all practical purposes as departments of the City, and therefore, have been included as an integral part of the primary government. The City does not account for any of its services on a business-type activity basis.

*Fund financial statements.* A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and government-wide activities.

The City maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Gas Tax Special Revenue, Opportunities Study Area Capital Projects and Capital Improvement Projects Capital Project Funds, which are all considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for each of the funds with appropriated budgets to demonstrate compliance with these budgets.

**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

*Proprietary funds.* The City of Lake Forest maintains one type of proprietary fund – an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains one internal service fund to account for the replacement of its fleet of vehicles. Because these services predominantly benefit the governmental function, they have been included within governmental activities in the government-wide financial statements.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

*Notes to basic financial statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The combining statements referred to earlier in connection with other governmental funds are presented immediately following the required supplementary information.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$401.5 million at the close of the most recent fiscal year. By far, the largest portion of the City's net position (72%) reflects its net investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment).

**Table 1**  
Net Position  
(in millions)

	Governmental Activities	
	2016	2015
Current and other assets	\$ 117.5	\$ 85.2
Capital assets	299.2	305.6
Total assets	416.7	390.8
Deferred outflows of resources:		
Deferred amount from pension plans	4.5	0.7
Current and other liabilities	6.2	4.7
Non-current liabilities	12.9	13.5
Total liabilities	19.1	18.2
Deferred inflows of resources:		
Deferred amount from pension plans	0.6	1.2
Net position:		
Net investment in capital assets	290.7	296.0
Restricted	57.6	29.8
Unrestricted	53.2	46.3
Total net position	\$ 401.5	\$ 372.1

**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

An additional portion of the City's net position (14%) represents resources that are subject to external restrictions in how they may be used. The remaining balance of \$53.2 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased by \$29.4 million during the current fiscal year. Key elements of the increase are as follows:

Total revenues were \$81.6 million as compared to prior year revenues of \$79.4 million and material variances from prior year are described below.

- Charges for services increased by \$1.8 million due to increase engineering inspections and plan checks in the Opportunity Study Area.
- Capital grants and contributions decreased by \$2.3 million, primarily attributable to the completion of a housing development project in prior year.
- Property and sales taxes increased by \$0.9 million and \$1.6 million, respectively, primarily attributable to the strong economy and new residential housing development.
- Investment income increased by \$0.6 million due to increase in investment portfolio and rates of return on investments.

Total costs for all City programs were \$51.3 million as compared to prior year costs of \$49.9 million and material variances from prior year are described below.

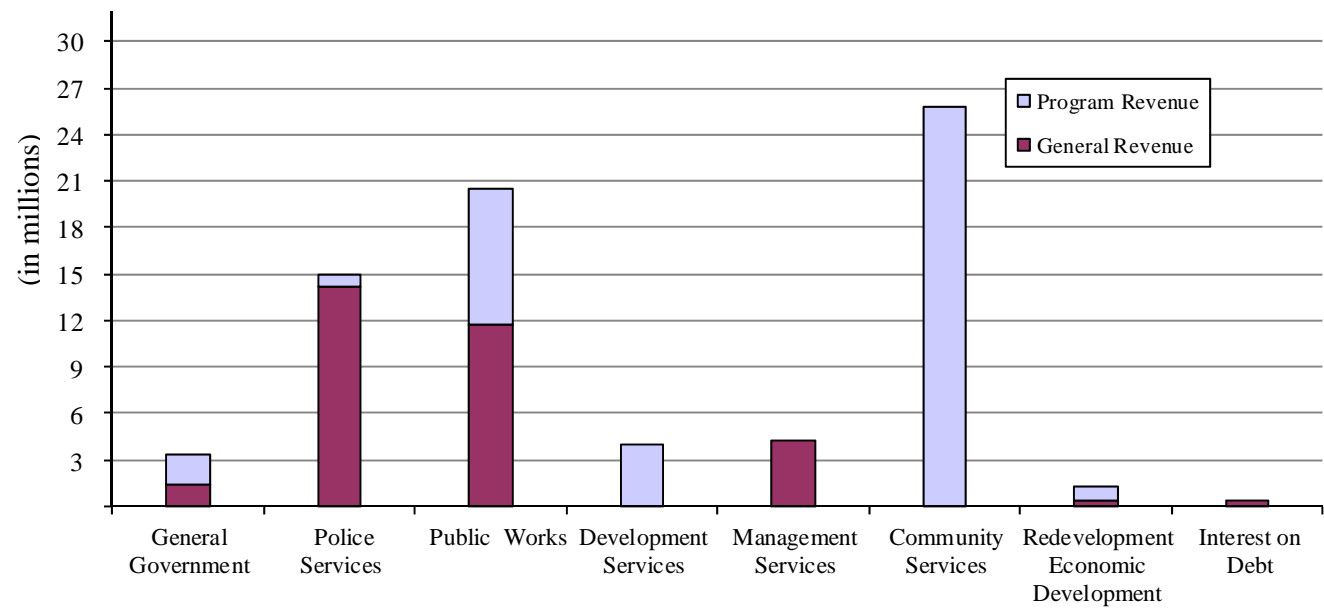
- Public Safety costs increased by \$0.7 million due to increase in costs to provide contracted police service protection services with the County of Orange.
- A loss on sale of property for current year was \$893,458 related to the disposition and rehabilitation of the Saguaro property.

**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

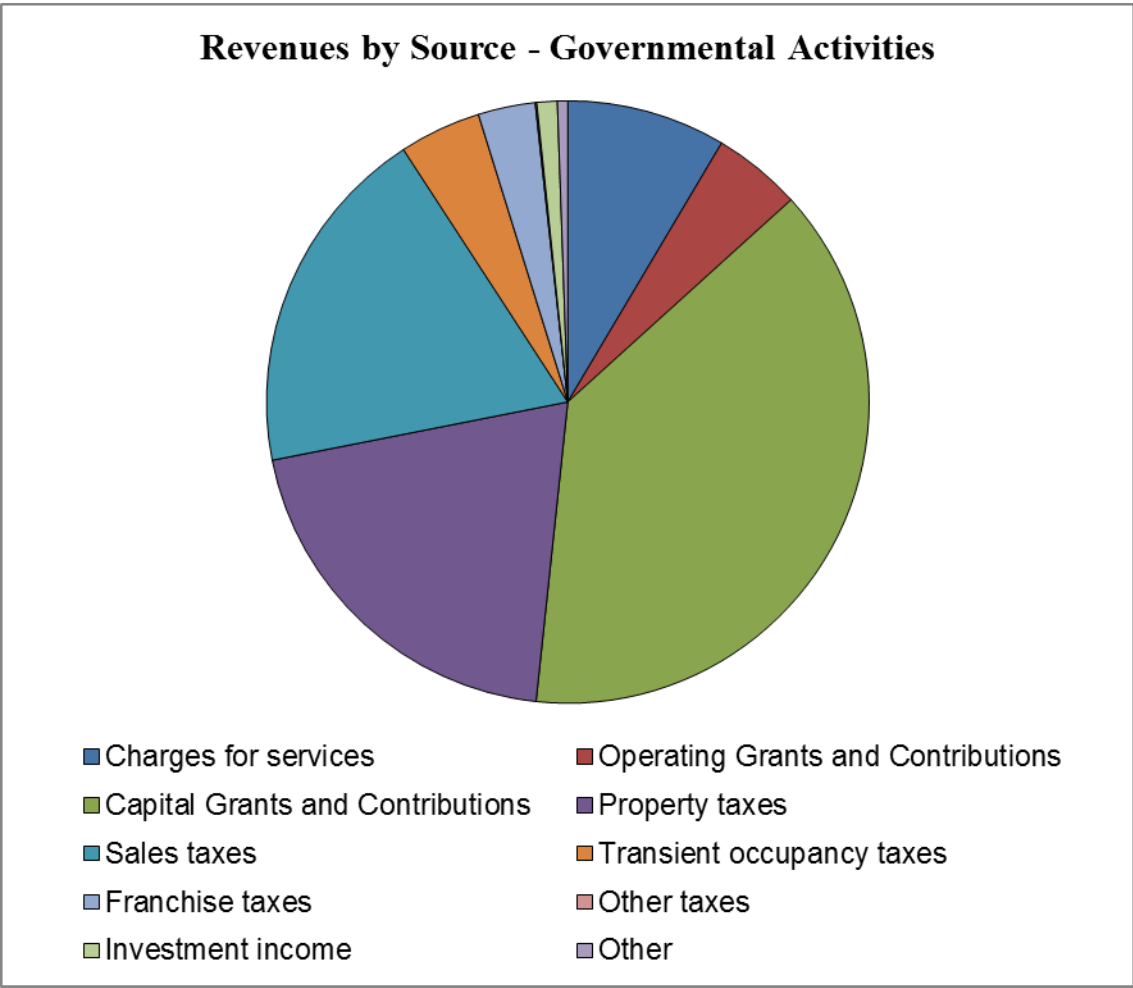
**Table 2**  
Changes in Net Position  
(in millions)

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 6.9	\$ 5.1
Operating grants and contributions	3.9	4.4
Capital grants and contributions	31.3	33.6
General revenues:		
Taxes:		
Property taxes	16.5	15.6
Sales taxes	15.4	13.8
Transient occupancy taxes	3.6	3.4
Franchise taxes	2.5	2.6
Other taxes	0.1	0.1
Investment income	0.9	0.3
Other	0.5	0.5
Total revenues	<u>81.6</u>	<u>79.4</u>
Expenses:		
General government	3.3	3.3
Public safety	14.9	14.2
Public works	20.5	20.1
Development services	3.1	3.0
Management services	4.3	3.9
Community services	3.5	3.6
Redevelopment / economic development	1.3	1.4
Interest on long-term liabilities	0.4	0.4
Total expenses:	<u>51.3</u>	<u>49.9</u>
Change in net position, before special item	30.3	29.5
Special item:		
Loss on sale of property	<u>(0.9)</u>	<u>-</u>
Change in net position	29.4	29.5
Net position at beginning of year	<u>372.1</u>	<u>342.6</u>
Net position at end of year	<u>\$ 401.5</u>	<u>\$ 372.1</u>

Funding of Governmental Activities



Revenues by Source - Governmental Activities





**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$110.6 million, an increase of \$31.2 million in comparison with the prior year. Of this amount, \$0.2 million is nonspendable prepaid items that are reserved to indicate that it is not available for new spending because it offsets noncurrent financial resources that are not expected to be liquidated in the near term, \$57.7 million is for a variety of restricted purposes, \$18.7 million is assigned to be used for specific purposes through the City Council budgetary actions, and \$34.0 million is unassigned which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$34.0 million, while total fund balance reached \$44.0 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund operating expenditures. Unassigned fund balance represents 77% of total General Fund expenditures, while total fund balance represents 100% of that same amount.

Fund balance in the City's General Fund decreased \$3.0 million during the current fiscal year. Key factors in this decrease are as follows:

- Revenues increased by \$4.8 million. Taxes increased by \$2.6 million, primarily attributable to the strong economy and new residential development. Charges for Services increased by \$1.1 million due to increase engineering inspections and plan checks in Opportunity Study Area. Licenses and Permits revenues increased by \$0.6 million due to increase building permit issuance in Opportunity Study Area. The remaining portion is related to smaller fluctuations in other revenue accounts.
- Expenditures increased by \$6.9 million. Management Services costs increased by \$4.3 million, primarily attributable to a one-time pension contributions of \$3.8 million. Public Works costs increased by \$1.9 million due to increase contracted engineering services in Opportunity Study Area. The remaining portion is related to smaller variances in various expenditure accounts in other departments.

The City has three other major funds, the Gas Tax Special Revenue Fund, the Opportunities Study Area Capital Projects Fund, and the Capital Improvement Projects Capital Projects Fund.

The Gas Tax Special Revenue fund is used to account for revenue and expenditures for maintenance, rehabilitation or improvement of public streets with funds appropriated under the Streets and Highway Code Sections 2105, 2105, 2107, 2107.5 and Proposition 1B of the State of California. The fund ended the year with an increase in fund balance of \$0.1 million.

**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

The Opportunities Study Area Capital Projects Fund is primarily composed of developer contributed funds to incur costs for public facilities related to future development. The major projects funded during the year were the design of Civic Center and Senior Center. This fund ended the year with an increase in fund balance of \$24.2 million. Expenditures decreased by \$7.8 million, mostly attributable to completion of Sports Park and Recreation Center in prior year.

The Capital Improvement Projects Capital Projects Fund is primarily composed of accumulated funds for the purpose of capital projects and economic development projects. This fund ended the year with an increase in fund balance of \$7.0 million.

*Proprietary fund.* The internal service vehicle replacement fund net position amounted to \$0.5 million at June 30, 2016. Of this amount, \$0.4 million is reported as unrestricted and \$0.1 million is reported as net investment in capital assets.

**General Fund Budgetary Highlights**

Revenues

The difference between original and final amended budgeted revenues was an increase of \$3.4 million. The most notable mid-year revenue adjustments were made to increase in Taxes (\$0.9 million), increase in Licenses and Permits (\$1.1 million) and increase in Charges for Services (\$1.3 million).

Actual revenues were higher than budgeted amounts by \$1.6 million. Tax revenues were more than budget by \$1.0 million due to overall increase in the economic condition. Investment Income revenues were more than the budget by \$0.4 million primarily due to increase in investment portfolio and rates of return on investments.

Expenditures

The difference between original and final amended budgeted expenditures was \$6.5 million. The most notable adjustments were \$1.0 million increase to Development Services and \$4.7 million increase made to Management Services. The remaining adjustments related to smaller variances in various expenditure accounts in other departments.

Total expenditures were under budgeted amounts by \$2.7 million primarily attributable to General Government, Public Safety, and Management Services expenditure savings of anticipated costs within the departments during the year. The remaining portion related to smaller variances in various expenditure accounts in other departments.

**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Capital Assets**

The City's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$299.2 million net of accumulated depreciation.

Major capital asset events during the current fiscal year included the following:

- Costs in the building and improvements category decreased by \$1.2 million primarily due to sale of Saguaro property.
- Costs in the improvements other than building, streets, and park improvements categories decreased by \$1.1 million, \$2.7 million, and \$1.0 million, respectively, related to depreciation expenses.

**City of Lake Forest - Capital Assets**  
(net of depreciation)  
(in millions)

	Governmental Activities	
	2016	2015
Land	\$ 120.9	\$ 120.9
Machinery and equipment	2.0	2.3
Buildings and improvements	11.3	12.5
Construction in progress	2.0	1.5
Improvements other than buildings	30.0	31.1
Infrastructure:		
Streets	67.8	70.5
Curbs, gutters and sidewalks	24.6	24.8
Storm drain system	11.8	12.1
Traffic signal system	4.1	4.0
Medians	10.4	10.6
Park improvements	14.3	15.3
TOTAL	<u>\$ 299.2</u>	<u>\$ 305.6</u>

Additional information on the City's capital assets can be found in Note 4 in the Financial Section of this report.

**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Long-Term Liabilities**

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$12.9 million, a decrease of \$0.6 million from the prior fiscal year. Total long-term debt outstanding represents the issuance of the 2011 Lease Financing Certificates of Participation ("Certificates") for the City's share of the Alton Parkway Improvement Project, compensated absences and net pension liability. Principal and interest on the Certificates are due in bi-annual payments. Debt service began in December 2011 and the Certificates mature in 2026.

**City of Lake Forest - Long-Term Liabilities**  
(in millions)

	2016	2015
Net pension liability	\$ 3.7	\$ 3.5
2011 Certificates of Participation	8.5	9.3
Compensated absences	0.7	0.7
Total	<u>\$ 12.9</u>	<u>\$ 13.5</u>

Additional information on the City's long-term liabilities can be found in Notes 6 and 13 in the Financial Section of this report.

**Economic Factors and Next Year's Budgets and Rates**

The June 30, 2016, unemployment rate for the City was 2.90% as compared to the rate of 3.05% one year ago. The City's rate compares favorably to the State's unemployment rate of 5.5% and the national average rate of 4.6%.

The City's Fiscal Year 2016-17 Operating Budget takes into account the historical trends of property, hotel, and sales taxes. Additionally, the health of the general economy was factored into the projections. The Operating Budget will be fully reviewed at mid-year to assess any changes to revenue as the local economy has improved over the last couple years.

General Fund operating expenditures have been projected to remain relatively stable for the next five years due to revenue declines experienced from the recession. The City's General Fund is balanced in the Operating Budget for Fiscal Year 2016-17 and all reserves are fully funded.

All of these factors were considered in preparing the City's Budget for Fiscal Year 2016-17.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Lake Forest's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Deputy City Manager/Director of Finance, City of Lake Forest, 25550 Commercentre Drive, Suite 100, Lake Forest, California 92630.

CITY OF LAKE FOREST  
STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities
ASSETS:	
Cash and investments	\$ 107,508,958
Receivables:	
Taxes	5,220,949
Accounts	546,039
Interest	147,696
Grants	262,812
Loans	1,848,669
Notes	100,000
Due from other governments	546,755
Prepaid items	178,475
Other post-employment benefit (OPEB) asset	124,319
Restricted cash with fiscal agent	1,043,297
Capital assets:	
Not being depreciated	122,867,660
Being depreciated, net	176,340,127
TOTAL ASSETS	<u>416,735,756</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amount from pension plans	4,458,484
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,458,484</u>
LIABILITIES:	
Accounts payable	5,169,531
Accrued salaries and benefits	266,290
Interest payable	28,023
Retentions payable	80,065
Unearned revenue	600
Deposits payable	629,512
Noncurrent liabilities:	
Net pension liability	3,649,775
Due within one year	1,239,700
Due in more than one year	8,002,187
TOTAL LIABILITIES	<u>19,065,683</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred amount from pension plans	603,290
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>603,290</u>
NET POSITION:	
Net investment in capital assets	290,672,787
Restricted for:	
Low and moderate income housing	3,062,535
Debt service	54
Redevelopment/economic development	1,564,462
Public safety	26,448
Public works	15,340,107
Community services	36,653,706
Pension benefits	1,043,297
Unrestricted	53,161,871
TOTAL NET POSITION	<u>\$ 401,525,267</u>

See accompanying notes to basic financial statements.

CITY OF LAKE FOREST  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2016

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 3,335,882	\$ 29,163	\$ -	\$ 1,876,188
Public safety	14,853,065	539,537	161,858	-
Public works	20,500,898	1,557,687	3,206,249	3,990,448
Development services	3,085,798	4,007,925	-	-
Management services	4,282,761	22,175	-	-
Community services	3,513,867	796,292	65,193	24,959,473
Redevelopment/economic development	1,303,781	-	450,099	481,453
Interest on long-term liabilities	355,732	-	-	-
Total governmental activities	<u>\$ 51,231,784</u>	<u>\$ 6,952,779</u>	<u>\$ 3,883,399</u>	<u>\$ 31,307,562</u>

General revenues:

Taxes:

Property tax, levied for general purpose

Sales tax

Transient occupancy tax

Franchise tax

Other taxes

Investment income

Other

Total general revenues

Change in net position, before special item

Special item:

Loss on sale of property

Change in net position

Net position at beginning of year

Net position at end of year

See accompanying notes to basic financial statements.

\$	(1,430,531)
	(14,151,670)
	(11,746,514)
	922,127
	(4,260,586)
	22,307,091
	(372,229)
	(355,732)
	(9,088,044)

CITY OF LAKE FOREST  
BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2016

		Special Revenue Fund	Capital Projects Fund
	General	Gas Tax	Opportunities Study Area
<b>ASSETS</b>			
Cash and investments	\$ 41,598,751	\$ 2,400,714	\$ 33,054,348
Cash and investments with fiscal agents	1,043,297		
Receivables:			
Taxes	5,220,949	-	-
Accounts	546,039	-	-
Interest	147,678	-	-
Grants	-	-	-
Loans	-	-	-
Notes	-	-	-
Due from other governments	60,878	-	-
Due from other funds	51,579	-	-
Prepaid items	178,475	-	-
<b>TOTAL ASSETS</b>	<b>\$ 48,847,646</b>	<b>\$ 2,400,714</b>	<b>\$ 33,054,348</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 3,767,324	\$ 660,402	\$ 154,946
Accrued salaries and benefits	266,290	-	-
Retentions payable	-	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Deposits payable	629,512	-	-
<b>TOTAL LIABILITIES</b>	<b>4,663,126</b>	<b>660,402</b>	<b>154,946</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenues	149,674	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>149,674</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>			
Nonspendable	178,475	-	-
Restricted	1,043,297	1,740,312	32,899,402
Assigned	8,849,600	-	-
Unassigned	33,963,474	-	-
<b>TOTAL FUND BALANCES</b>	<b>44,034,846</b>	<b>1,740,312</b>	<b>32,899,402</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 48,847,646</b>	<b>\$ 2,400,714</b>	<b>\$ 33,054,348</b>

See accompanying notes to basic financial statements.



Capital Projects Fund		
Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
\$ 9,990,835	\$ 20,021,829	\$ 107,066,477 1,043,297
-	-	5,220,949
-	-	546,039
-	18	147,696
-	262,812	262,812
-	1,848,669	1,848,669
-	100,000	100,000
-	485,877	546,755
-	-	51,579
-	-	178,475
<u>\$ 9,990,835</u>	<u>\$ 22,719,205</u>	<u>\$ 117,012,748</u>

\$ 60,967	\$ 525,892	\$ 5,169,531
-	-	266,290
46,529	33,536	80,065
-	51,579	51,579
-	600	600
-	-	629,512
<u>107,496</u>	<u>611,607</u>	<u>6,197,577</u>

-	100,000	249,674
-	100,000	249,674

-	-	178,475
-	22,007,598	57,690,609
9,883,339	-	18,732,939
-	-	33,963,474
<u>9,883,339</u>	<u>22,007,598</u>	<u>110,565,497</u>

<u>\$ 9,990,835</u>	<u>\$ 22,719,205</u>	<u>\$ 117,012,748</u>
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# CITY OF LAKE FOREST

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2016

Fund balances - total governmental funds		\$ 110,565,497
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental funds. This does not include internal service fund capital assets of \$432,951 and accumulated depreciation of \$373,562.		
Capital assets	\$ 417,379,237	
Accumulated depreciation	<u>(118,230,839)</u>	299,148,398
Long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources, unavailable revenues, in the fund financial statements.		
Accounts receivable		121,796
Interest receivable		27,878
Note receivable		100,000
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities consists of the following:		
Compensated absences	\$ (706,887)	
Certificates of participation bonds payable	<u>(8,535,000)</u>	(9,241,887)
Governmental funds report contributions to OPEB as expenditures when paid. Pre-funding is capitalized and expensed when due in the Statement of Net Position.		
Other Post Employment Benefit Asset		124,319
Interest expenditures are recognized in the governmental funds when due. Interest expense is recorded on the accrual basis in the government-wide financial statements, and therefore these statements reflect a liability for accrued interest payable.		
		(28,023)
Pension related debt applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities.		
Deferred outflows of resources	\$ 4,458,484	
Deferred inflows of resources	(603,290)	
Pension liability	<u>(3,649,775)</u>	205,419
Internal service funds are used by management to charge the costs of vehicle replacement to individual funds. The assets and liabilities of the internal service fund are included in the Statement of Net Position.		
		<u>501,870</u>
Net position of governmental activities		<u><u>\$ 401,525,267</u></u>

See accompanying notes to basic financial statements.

CITY OF LAKE FOREST

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the year ended June 30, 2016

		Special Revenue Fund	Capital Projects Fund
		Gas Tax	Opportunities Study Area
	General		
REVENUES:			
Taxes	\$ 38,048,982	\$ -	\$ -
Licenses and permits	2,790,321	-	-
Intergovernmental	65,002	1,749,069	-
Charges for services	3,616,337	-	-
Developer contributions	-	-	24,959,473
Fines and forfeitures	539,537	-	-
Investment income	611,841	12,571	-
Other	406,382	-	-
TOTAL REVENUES	<u>46,078,402</u>	<u>1,761,640</u>	<u>24,959,473</u>
EXPENDITURES:			
Current:			
General government	3,581,304	-	-
Public safety	14,592,058	-	-
Public works	10,147,871	1,619,437	-
Development services	3,085,798	-	-
Management services	8,023,916	-	-
Community services	3,433,759	-	-
Redevelopment/economic development	1,068,242	-	-
Capital outlay	-	10,785	745,408
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	<u>43,932,948</u>	<u>1,630,222</u>	<u>745,408</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,145,454</u>	<u>131,418</u>	<u>24,214,065</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	2,291,100	-	-
Transfers out	(7,400,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,108,900)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(2,963,446)	131,418	24,214,065
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	<u>46,998,292</u>	<u>1,608,894</u>	<u>8,685,337</u>
FUND BALANCES - END OF YEAR	<u>\$ 44,034,846</u>	<u>\$ 1,740,312</u>	<u>\$ 32,899,402</u>

See accompanying notes to basic financial statements.

Capital Projects Fund		
Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 38,048,982
-	-	2,790,321
1,393,494	2,091,671	5,299,236
-	6,585	3,622,922
500,000	4,939,390	30,398,863
-	-	539,537
54,484	64,737	743,633
-	154,543	560,925
<u>1,947,978</u>	<u>7,256,926</u>	<u>82,004,419</u>
-	-	3,581,304
-	222,113	14,814,171
-	89,013	11,856,321
-	-	3,085,798
-	-	8,023,916
-	78,039	3,511,798
-	546,382	1,614,624
1,298,673	1,202,887	3,257,753
-	735,000	735,000
-	358,146	358,146
<u>1,298,673</u>	<u>3,231,580</u>	<u>50,838,831</u>
<u>649,305</u>	<u>4,025,346</u>	<u>31,165,588</u>
7,400,000	1,093,200	10,784,300
(1,093,200)	(2,291,100)	(10,784,300)
<u>6,306,800</u>	<u>(1,197,900)</u>	<u>-</u>
6,956,105	2,827,446	31,165,588
<u>2,927,234</u>	<u>19,180,152</u>	<u>79,399,909</u>
<u>\$ 9,883,339</u>	<u>\$ 22,007,598</u>	<u>\$ 110,565,497</u>

# CITY OF LAKE FOREST

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

Net change in fund balances - total governmental funds \$ 31,165,588

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Depreciation (does not include internal service fund depreciation expense of \$41,455)	\$ (8,276,221)	
Capital outlay, net of disposals	3,024,479	
Loss on sale of property	(893,458)	(6,145,200)

Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and, therefore, are not reported as revenues in the governmental funds (426,882)

Some expenses reported in the Statement of Activities utilize current financial resources, but are not expensed in the Statement of Activities until due.  
OPEB expense (42,797)

Compensated absences reported on the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The net change is reported on the Statement of Activities. (22,809)

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and issuance cost of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the Statement of Net Position. This is the principal repayments during the year. 735,000

Accrued interest is interest due on long-term debt payable. This is the net change in accrued interest for the current period. 2,414

Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources 4,186,981

Internal service funds are used by management to charge the costs of vehicle replacement to individual funds. The net revenues of the internal service fund are reported with governmental activities. (37,755)

Change in net position of governmental activities \$ 29,414,540

See accompanying notes to basic financial statements.

CITY OF LAKE FOREST  
STATEMENT OF NET POSITION  
PROPRIETARY FUND

June 30, 2016

	Governmental Activities
	<u>Internal Service Fund</u>
ASSETS:	
CURRENT ASSETS:	
Cash and investments	\$ 442,481
TOTAL CURRENT ASSETS	<u>442,481</u>
NONCURRENT ASSETS:	
Capital assets:	
Being depreciated	432,951
Less: accumulated depreciation	<u>(373,562)</u>
TOTAL NONCURRENT ASSETS	<u>59,389</u>
TOTAL ASSETS	<u>501,870</u>
NET POSITION:	
Investment in capital assets	59,389
Unrestricted	<u>442,481</u>
TOTAL NET POSITION	<u>\$ 501,870</u>

See accompanying notes to basic financial statements.

CITY OF LAKE FOREST

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND

For the year ended June 30, 2016

	Governmental Activities <u>Internal Service Fund</u>
OPERATING REVENUES:	<u>\$ -</u>
OPERATING EXPENSES:	
Depreciation expense	<u>41,455</u>
OPERATING LOSS	(41,455)
NON-OPERATING REVENUES:	
Gain on sale of capital assets	<u>3,700</u>
CHANGE IN NET POSITION	(37,755)
NET POSITION AT BEGINNING OF YEAR	<u>539,625</u>
NET POSITION AT END OF YEAR	<u><u>\$ 501,870</u></u>

See accompanying notes to basic financial statements.



CITY OF LAKE FOREST

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

For the year ended June 30, 2016

	Governmental Activities <u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from user departments	\$ 2,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(25,843)
Proceeds from sale of capital assets	<u>3,700</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(22,143)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(20,143)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>462,624</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 442,481</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (41,455)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	41,455
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	<u>2,000</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 2,000</u></u>

See accompanying notes to basic financial statements.

CITY OF LAKE FOREST  
STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	Successor Agency to Lake Forest Redevelopment Agency Private-Purpose Trust Fund	Pension Trust Fund	Other Post- Employment Benefit (OPEB) Trust Fund	Agency Funds
ASSETS:				
Cash and investments	\$ 568,161	\$ -	\$ -	\$ 410,584
Cash and investments held by trust	-	1,043,297	473,006	-
<b>TOTAL ASSETS</b>	<b>568,161</b>	<b>1,043,297</b>	<b>473,006</b>	<b>\$ 410,584</b>
LIABILITIES:				
CURRENT LIABILITIES:				
Interest payable	23,311	-	-	\$ -
Deposits payable	-	-	-	410,584
<b>TOTAL CURRENT LIABILITIES</b>	<b>23,311</b>	<b>-</b>	<b>-</b>	<b>\$ 410,584</b>
LONG-TERM LIABILITIES:				
Due within one year	270,000	-	-	
Due in more than one year	6,595,000	-	-	
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>6,865,000</b>	<b>-</b>	<b>-</b>	
<b>TOTAL LIABILITIES</b>	<b>6,888,311</b>	<b>-</b>	<b>-</b>	
NET POSITION:				
Restricted for private purpose	(6,320,150)	-	-	
Held in trust for pension benefits	-	1,043,297	-	
Held in trust for OPEB benefits	-	-	473,006	
<b>TOTAL NET POSITION</b>	<b>\$ (6,320,150)</b>	<b>\$ 1,043,297</b>	<b>\$ 473,006</b>	

See accompanying notes to basic financial statements.

CITY OF LAKE FOREST

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2016

	Successor Agency to Lake Forest Redevelopment Agency Private-Purpose Trust Fund	Pension Trust Fund	Other Post- Employment Benefit (OPEB) Trust Fund
ADDITIONS:			
Taxes	\$ 200,643	\$ -	\$ -
Employer contributions	-	1,000,000	-
Investment income	4,048	44,359	18,344
	<u>204,691</u>	<u>1,044,359</u>	<u>18,344</u>
TOTAL ADDITIONS	204,691	1,044,359	18,344
DEDUCTIONS:			
Redevelopment/economic development	148,983	-	-
Interest and fiscal charges	285,393	-	-
Benefits	-	-	11,413
Administrative expense	-	1,062	1,837
	<u>434,376</u>	<u>1,062</u>	<u>13,250</u>
TOTAL DEDUCTIONS	434,376	1,062	13,250
CHANGE IN NET POSITION	(229,685)	1,043,297	5,094
NET POSITION - BEGINNING OF YEAR	<u>(6,090,465)</u>	<u>-</u>	<u>467,912</u>
NET POSITION - END OF YEAR	<u>\$ (6,320,150)</u>	<u>\$ 1,043,297</u>	<u>\$ 473,006</u>

See accompanying notes to basic financial statements.

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# CITY OF LAKE FOREST

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Lake Forest (the City) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the significant policies.

#### a. Description of the Reporting Entity:

This report includes all fund types of the City of Lake Forest (the “primary government”), the Lake Forest Housing Authority (the Housing Authority) and the Rancho Cañada Financing Authority (the Financing Authority). The Authorities meet the definition of a “component unit”, and are presented on a “blended” basis, as if they are part of the primary government. Although they are legally separate entities, the governing board of the Housing and Financing Authorities are comprised of the same membership as the City Council. The City may impose its will on the Housing and Financing Authorities, including the ability to appoint, hire, reassign, or dismiss management. There is also a financial benefit/burden relationship between the City and the Housing and Financing Authorities.

The City of Lake Forest was incorporated on December 20, 1991, under the laws of the State of California and enjoys all the rights and privileges pertaining to “General Law” cities. The City operates under a council-manager form of government and currently provides public safety, planning, building, code enforcement, engineering, street maintenance, street lighting, parks, recreation, and general administrative services.

The Lake Forest Housing Authority was established by the City Council in February 2011, and is partly responsible for the administration of providing affordable housing in the City. The activity of the Housing Authority is reported in the Special Revenue Fund.

The Rancho Cañada Financing Authority was established pursuant to the Rancho Cañada Financing Authority Joint Exercise of Powers Agreement, dated as of September 15, 1998, by and between the City and the Financing Authority, under the provision of Chapter 5, Division 7, Title 1 of the Government Code of the State. The Board of Directors of the Financing Authority is composed of the five members in connection with the acquisition, construction and improvement of public capital improvements, working capital requirements or insurance programs of the members. The activity of the Financing Authority is reported in the Debt Service Fund.

Separate financial statements for Lake Forest Housing Authority can be obtained from the City of Lake Forest Finance Department located at City Hall, 25550 Commercentre Drive, Suite 100, Lake Forest, California, 92630. The Rancho Cañada Financing Authority does not issue separate financial statements.

# CITY OF LAKE FOREST

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

#### b. Basis of Accounting, Measurement Focus and Financial Statement Presentation:

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements

#### **Government-Wide Financial Statements**

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include a single column for the governmental activities of the primary government. The City of Lake Forest has no business-type activities. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary private-purpose trust and the pension and other post-employment benefit trust funds. The City's fiduciary agency funds have no measurement focus but utilize the accrual basis for reporting its assets and liabilities. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Accrual basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three categories:

1. Charges for services,
2. Operating grants and contributions, and
3. Capital grants and contributions.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued):

**Government-Wide Financial Statements (Continued)**

Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenses. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Certain eliminations have been made in regard to interfund transfers, payables and receivables. All internal balances in the Statement of Net Position have been eliminated. Internal service fund activity has been eliminated and net balances are included in the governmental activities. Interfund services provided and used, if any, are not eliminated in the consolidation process.

**Fund Financial Statements**

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and other governmental funds in the aggregate for governmental funds. Fiduciary fund statements include financial information for the private-purpose trust, pension trust, other post-employment benefit trust and agency funds. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued):

**Governmental Funds**

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available*. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 90 days, except for property taxes which is 60 days.

Sales taxes, property taxes, franchise fees, gas taxes, highway user's taxes, transient occupancy taxes, grants and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets, current liabilities and deferred inflows of resources are generally included on their balance sheets. The reported fund balance is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables between governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect fund balance, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing source*, rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.



CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued):

**Proprietary Fund**

Proprietary fund types are accounted for using the *economic resources measurement focus* and *accrual basis of accounting*. This means that all assets and liabilities (whether current or non-current) associated with the activity are included on the statement of net position. Their reported fund equity presents total net position. The operating statement of the proprietary fund presents increases (revenues) and decreases (expenses) in total net position. Revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's internal service fund are charges to departments for vehicle replacement charges. The primary operating expense for the internal service fund is depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government). The City uses the internal service fund to account for vehicle replacement activities.

**Fiduciary Funds**

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City's Fiduciary private-purpose trust fund, pension trust fund, and OPEB trust fund are accounted for using the economic resources measurement focus and accrual basis of accounting. The private-purpose trust fund accounts for the assets held by the City for the Successor Agency to the Lake Forest Redevelopment Agency. The pension trust fund accounts for the activities of the City's additional funding for the defined benefit pension plan benefits. The OPEB trust fund accounts for the activities of the City's plan for post-retirement medical benefits.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued):

**Fiduciary Funds (Continued)**

The City's fiduciary agency funds have no measurement focus but utilize the accrual basis for reporting its assets and liabilities. Because these funds are not available for use by the City, fiduciary funds are not included in the governmental-wide statements. The City uses agency funds to account for the collection and disbursement of funds for Orange County road construction programs, the State of California Strong Motion Instrumentation Program, and the State of California Building Standards Commission's green building standards program.

c. Fund Classifications:

The City reports the following major governmental funds:

**General Fund**

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Gas Tax Special Revenue Fund**

This fund is used to account for revenue and expenditures of money appropriated under Streets and Highways Code Sections 2105, 2106, 2107, 2107.5 and Proposition 1B of the State of California. These funds are earmarked for maintenance, rehabilitation, or improvement of public streets.

**Opportunities Study Area Capital Projects Fund**

This fund is used to account for costs to design and construct a sports park, recreation center, meeting facility, and a civic center. This fund is currently funded by developer impact fees to construct these facilities.

**Capital Improvement Projects Capital Projects Fund**

This fund is used to accumulate financial resources for the purpose of providing funds for capital projects and economic development projects.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Fund Classifications (Continued):

The City's fund structure also includes the following fund types:

The Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted or otherwise assigned for specific purposes.

The Financing Authority Debt Service Fund is used to account for debt service activity for the 2011 Lease Financing Certificates of Participation.

The Capital Projects Funds are used to account for resources restricted or assigned for capital improvements.

The Internal Service Fund is used to account for the cost of replacing the City's vehicles.

The Private Purpose Trust Fund is used to account for the activities of the Successor Agency to the Lake Forest Redevelopment Agency.

The Pension Trust Fund is used to account for the activities of the City's plan for the defined benefit pension plan benefits.

The Other Post-Employment Benefit Trust Fund is used to account for the activities of the City's plan for post-retirement medical benefits.

The Agency Funds are used to account for special deposits for which the City acts as an agent for all special deposit activity.

d. New Accounting Pronouncements:

**Current Year Standards**

In fiscal year 2015-2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "*Fair Value Measurement and Application*". GASB Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

**Current Year Standards (Continued)**

Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. As a result of the implementation of GASB Statement No. 72, the fund balance of other governmental funds was reduced by \$326,000 (see Note 17).

GASB Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", was required to be implemented in the current fiscal year, except for those provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, and is effective for periods beginning after June 15, 2016, and did not impact the City.

GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", was required to be implemented in the current fiscal year, and did not impact the City.

GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*", was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the City.

GASB Statement No. 82, "*Pension Issues an Amendment of GASB Statement No. 67, No. 68 and No. 73*", changed the measurement of covered payroll reported in required supplementary information and has been early implemented.

**Pending Accounting Standards**

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

**Pending Accounting Standards (Continued)**

- GASB 74 - *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*, effective for periods beginning after June 15, 2016.
- GASB 75 - *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*, effective for periods beginning after June 15, 2017.
- GASB 77 - *“Tax Abatement Disclosure”*, effective for periods beginning after December 15, 2015.
- GASB 78 - *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”*, effective for periods beginning after December 15, 2015.
- GASB 79 - *“Certain External Investment Pools and Pool Participants”*, contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.
- GASB 80 - *“Blending Requirements for Certain Component Units”*, effective for periods beginning after June 15, 2016.
- GASB 81 - *“Irrevocable Split-Interest Agreements”*, effective for periods beginning after December 15, 2016.
- GASB 82 - *“Pension Issues”*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

e. Cash and Cash Equivalents:

All cash and investments are held in the City’s cash management pool. Therefore, for purposes of the statement of cash flows for the proprietary fund, the City considers the entire pooled cash and investment balance to be cash and cash equivalents.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

f. Investments:

Investments are reported in the accompanying financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings and changes in fair value. The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance, except for investment income associated with funds not legally required to receive pooled investment income which has been assigned to and recorded as revenue of the General Fund, as provided by California Government Code Section 53647.

g. Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the Government-Wide and Fund Financial Statements utilizing the consumption method.

h. Property Taxes:

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means due or past due and receivable within the current period and collected within the current period or expected to be collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period.

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the cities based on complex formulas. The County of Orange collects property taxes for the City. Tax liens attach annually as of 12:01 a.m. on the first day of January, proceeding the fiscal year for which the taxes are levied. Taxes are levied on July 1 and cover the fiscal period from July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on January 1 each year and are delinquent, if unpaid, on August 31.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

i. Capital Assets:

Capital assets, which include land, machinery and equipment (furniture, vehicles, computers, etc.), and infrastructure assets (street systems, storm drains, traffic signals, etc.), are reported in the Government-Wide Financial Statements and in the internal service fund of the Proprietary Fund Statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is recorded in the Government-Wide Financial Statements on a straight-line basis over the useful life of the assets as follows:

Buildings and improvements	10 years
Improvements other than buildings	10 - 50 years
Computers	3 years
Machinery and equipment	5 years
Vehicles	5 years
Furniture	7 years
Infrastructure:	
Traffic signals	25 years
Median improvements	25 years
Street system - Arterial	35 years
Street system - Residential	50 years
Storm drains	50 years

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

j. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pensions for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans, which is 3.8 years.
- Deferred outflows related to pension plans for the changes in proportion and differences between employer contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans, which is 3.8 years.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows from unavailable revenues, which are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources, which are reimbursements, investment income, notes receivable, and grants receivable collections. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expecting remaining service lives of all employees that are provided with pensions through the plans, which is 3.8 years.



CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

j. Deferred Outflows/Inflows of Resources (Continued):

- Deferred inflows related to pensions resulting from the differences between projected and actual earnings on investments of the pension plans fiduciary net position. These amounts are amortized over five years.
- Deferred inflows related to pension plans for the changes in employer's proportion and differences between employer contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans, which is 3.8 years.

k. Long-Term Debt:

In the Government-Wide Financial Statements, long-term debt is reported as a liability in the Statement of Net Position. Premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Long-term debt is reported net of the applicable premiums or discount. Amortization of bond premiums or discounts is included in interest expense. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the Fund Financial Statements, premiums and discounts, as well as issuance costs, are recognized in the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

l. Compensated Absences:

In accordance with GASB Codification 660.110, an employee benefits payable liability is recorded for unused vacation and similar compensatory leave balances. The employee's entitlement to these balances is attributable to services already rendered, and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

m. Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS.

# CITY OF LAKE FOREST

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

#### m. Pensions (Continued):

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### n. Use of Estimates:

The preparation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

### 2. CASH AND INVESTMENTS:

#### **Cash and Investments**

Cash and investments at June 30, 2016 consist of the following:

	Government Wide Statement of <u>Net Position</u>	Fiduciary Funds Statement of <u>Net Position*</u>	<u>Total</u>
Cash and investments	\$ 107,508,958	\$ 978,745	\$ 108,487,703
Restricted:			
Cash and investments held by trust	<u>1,043,297</u>	<u>473,006</u>	<u>1,516,303</u>
Total Cash and investments	<u>\$ 108,552,255</u>	<u>\$ 1,451,751</u>	<u>\$ 110,004,006</u>

\* The cash and investments held by trust in the pension trust fiduciary fund are excluded from the above totals since the amount is also included in the government-wide statement of net position.

Cash and investments consist of cash on hand, deposits and investments, as noted below:

Cash on hand	\$ 2,090
Deposits with financial institutions	5,943,680
Investments	<u>104,058,236</u>
Total cash and investments	<u>\$ 110,004,006</u>

## CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

## 2. CASH AND INVESTMENTS (CONTINUED):

**Investments Authorized by the California Government Code and the City's Investment Policy**

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by fiscal agent that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy. This table does not address investments of the employer contributions to the other post-employment benefit trust that are governed by the trust agreement.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity *	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer *
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	50%
Banker's Acceptances	Yes	180 days	20%	5%
Commercial Paper	Yes	270 days	25%	5%
Negotiable Certificates of Deposit	Yes	5 years	20%	5%
Non-negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	92 days	10%	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	10%	\$ 1,000,000
Money Market Mutual Funds	Yes	None	10%	None
Mortgage Pass-Through securities	No	5 years	20%	None
County Pooled Investment Funds	No	None	30%	None
California Asset Management Program	Yes	None	30%	None
State Investment Pool (LAIF)	Yes	None	\$50 million	None
JPA Pools (other investment pools)	Yes	None	30%	None

\* - Based on state law requirements or investment policy requirements, whichever is more restrictive. The City may not invest in items that are permitted by the state but not permitted by the City's investment policy.

# CITY OF LAKE FOREST

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

### 2. CASH AND INVESTMENTS (CONTINUED):

#### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table:

<u>Investment Type</u>	<u>Total</u>	<u>Weighted Average Maturity (in Years)</u>
United States Government		
Sponsored Agency Securities:		
Federal Farm Credit Bank (FFCB)	\$ 20,698,085	2.16
Federal Home Loan Bank (FHLB)	12,534,175	1.54
Federal Home Loan Mortgage Corporation (FHLMC)	7,515,130	1.47
Federal National Mortgage Association (FNMA)	1,001,760	4.92
State Investment Pool (LAIF)	37,564,088	0.55
Orange County Investment Pool (OCIP)	18,022,076	N/A
California Asset Management Program (CAMP)	3,009,774	N/A
Money Market Mutual Funds	2,196,845	N/A
Money Market Mutual Funds - Pension Trust	1,043,297	N/A
Money Market Mutual Funds - OPEB Trust	<u>473,006</u>	N/A
	<u>\$ 104,058,236</u>	

#### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

# CITY OF LAKE FOREST

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

### 2. CASH AND INVESTMENTS (CONTINUED):

#### Disclosures Relating to Credit Risk (Continued)

Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the Standard and Poor's or Moody's actual rating as of year end for each investment type:

Investment Type	Total as of June 30, 2016	Minimum Legal Rating	AAA (Aaa)	AA+ (Aaa)	Not Rated
U.S. Government Sponsored					
Agency Securities:					
FFCB	\$ 20,698,085	N/A	\$ -	\$ 20,698,085	\$ -
FHLB	12,534,175	N/A	-	12,534,175	-
FHLMC	7,515,130	N/A	-	7,515,130	-
FNMA	1,001,760	N/A	-	1,001,760	-
State Investment Pool (LAIF)	37,564,088	N/A	-	-	37,564,088
Orange County Investment					
Pool (OCIP)	18,022,076	N/A	-	-	18,022,076
California Asset Management					
Program (CAMP)	3,009,774	N/A	3,009,774	-	-
Money Market Mutual Funds	2,196,845	A	2,196,845	-	-
Money Market Mutual Funds -					
Pension Trust	1,043,297	N/A	-	-	1,043,297
Money Market Mutual Funds -					
OPEB Trust	473,006	N/A	-	-	473,006
Total	<u>\$ 104,058,236</u>		<u>\$ 5,206,619</u>	<u>\$ 41,749,150</u>	<u>\$ 57,102,467</u>

#### Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code as noted on page 45. At June 30, 2016, there were no investments in any one issuer (other than FFCB, FHLB, FHLMC, mutual funds and external investment pools) that represent 5 percent or more of total investments.

#### Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

**Custodial Credit Risk (Continued)**

The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. At June 30, 2016, the City deposits (bank balances) were insured by the Federal Deposit Insurance Corporation or collateralized as required under California Law.

**Investment in State Investment Pool (LAIF)**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's prorata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF.

**California Asset Management Program (CAMP)**

The City invests in this investment trust, which is similar to a money market mutual fund. The fund invests primarily in certificates of deposit, commercial paper, and U.S. Government and Agency obligations. The City is a voluntary participant in the investment trust.

The CAMP Cash Reserve Portfolio (the "Pool") is exempt from registration with the Securities and Exchange Commission ("SEC") under the Investment Company Act of 1940, but operates in a manner consistent with SEC Rule 2a-7, "Money Market Funds", of that Act. Accordingly, the Pool meets the definition of a "2a-7 like pool" set forth in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. While the Pool itself is exempt from SEC registration, the Pool's Investment advisor and administrator, PFM Asset Management LLC, is registered with the SEC as an investment advisor under the Investment Advisors Act of 1940. PFM Asset Management LLC has filed with the California Department of Corporations, as well as various other states, as an investment advisor under state securities laws.

## CITY OF LAKE FOREST

### NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

#### 2. CASH AND INVESTMENTS (CONTINUED):

##### **California Asset Management Program (CAMP) (Continued)**

In addition, the Pool also meets the definition of “Municipal Fund Security” outlined by Municipal Securities Rulemaking Board (“MSRB”) Rule 0-12, therefore contacts with prospective investors relating to shares of the Pool are conducted through PFM Asset Management’s wholly owned subsidiary, PFMAM, Inc., a broker/dealer that is registered with the SEC and MSRB, and is a member of the National Association of Securities Dealers (“NASD”). The Pool also files an income tax return annually with the Internal Revenue Service, though the net income of the Pool is generally exempt from federal income tax.

##### **Orange County Investment Pool (OCIP)**

The City is a voluntary participant in the County Treasurer’s Orange County Investment Pool (OCIP). The OCIP is an external investment pool, is not rated and is not registered with the Securities Exchange Commission (SEC). The County Treasury Oversight Committee conducts OCIP oversight. Cash on deposit in the OCIP at June 30, 2016 is stated at fair value. The OCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the OCIP, refer to the County of Orange Comprehensive Annual Financial Report.

##### **Cash and Investments – Pension and Other Post-Employment Benefit (OPEB) Trust**

The City established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the City’s defined benefit pension plan and other post-employment benefit (OPEB) health plan. The Pension Trust and OPEB Trust Funds’ specific cash and investments are managed by a third-party portfolio manager under guidelines approved by the City.

Those guidelines are as follows:

Risk Tolerance:	Moderate High
Risk Management:	The portfolio is constructed to control risk through four layers of diversification - asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process help to drive return potential while reducing portfolio risk.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

**Cash and Investments – Pension and Other Post-Employment Benefit (OPEB) Trust  
(Continued)**

Investment Objective:	To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.
Strategic Ranges:	0% - 20% Cash 40% - 60% Fixed Income 40% - 60% Equity

**Fair Value Measurements**

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the City has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.



CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

**Fair Value Measurements (Continued)**

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the City's management. City management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management's perceived risk of that investment.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are based on evaluated prices received by the City's broker or custodian.

The following is a description of the recurring valuation methods and assumptions used by the City to estimate the fair value of its investments.

The City's management has valued the U.S. Government Sponsored Securities at Level 2 based on quoted prices for similar assets.

The City has no investments categorized in Level 3. When valuing Level 3 securities, the inputs or methodology are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

**Fair Value Measurements (Continued)**

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
United States Government Sponsored Agency Securities:				
FFCB	\$ -	\$ 20,698,085	\$ -	\$ 20,698,085
FHLB	-	12,534,175	-	12,534,175
FHLMC	-	7,515,130	-	7,515,130
FNMA	-	1,001,760	-	1,001,760
Total Leveled Investments	<u>\$ -</u>	<u>\$ 41,749,150</u>	<u>\$ -</u>	41,749,150
State Investment Pool (LAIF)*				37,564,088
Orange County Investment Pool (OCIP)*				18,022,076
California Asset Management Program (CAMP)*				3,009,774
Money Market Mutual Funds*				2,196,845
Money Market Mutual Funds - Pension Trust*				1,043,297
Money Market Mutual Funds - OPEB Trust*				473,006
Total Investment Portfolio				<u>\$ 104,058,236</u>

\* Not subject to fair value hierarchy.

3. NOTE RECEIVABLE:

In the fiscal year ended June 30, 2016, the City sold property to a nonprofit corporation that resulted in a note receivable of \$100,000 due to the Authority. The note is secured by a deed of trust in the name of the Authority and bears interest equal the Local Agency Investment Fund (LAIF) rate. Principal payments are made in 50 equal annual installments of \$2,000, together with any unpaid interest that has accrued at the time of each payment. Each annual payment shall be due and payable commencing on the fifth anniversary of the project completion date and on that same date each year until the balance of the principal and accrued interest is paid in full. However, if the borrower is in full compliance with the regulatory agreement during the 12 months preceding a payment, the interest accrued during that 12 month period shall be forgiven by the City. The balance of this note as of June 30, 2016 is \$100,000.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

4. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2016 is as follows:

	Balance at July 1, 2015 <u>As Restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 120,901,809	\$ -	\$ -	\$ 120,901,809
Construction in progress	<u>1,457,698</u>	<u>1,155,690</u>	<u>(647,537)</u>	<u>1,965,851</u>
Total capital assets, not being depreciated	<u>122,359,507</u>	<u>1,155,690</u>	<u>(647,537)</u>	<u>122,867,660</u>
Capital assets, being depreciated:				
Buildings and improvements	13,416,117	-	(937,931)	12,478,186
Improvements other than buildings	32,219,149	-	-	32,219,149
Machinery and equipment	5,352,214	247,863	(94,000)	5,506,077
Infrastructure	<u>242,757,653</u>	<u>1,983,463</u>	<u>-</u>	<u>244,741,116</u>
Total capital assets, being depreciated	<u>293,745,133</u>	<u>2,231,326</u>	<u>(1,031,931)</u>	<u>294,944,528</u>
Less accumulated depreciation for:				
Buildings and improvements	(943,436)	(406,181)	155,316	(1,194,301)
Improvements other than buildings	(1,126,856)	(1,126,856)	-	(2,253,712)
Machinery and equipment	(3,009,247)	(558,363)	94,000	(3,473,610)
Infrastructure	<u>(105,456,502)</u>	<u>(6,226,276)</u>	<u>-</u>	<u>(111,682,778)</u>
Total accumulated depreciation	<u>(110,536,041)</u>	<u>(8,317,676)</u>	<u>249,316</u>	<u>(118,604,401)</u>
Total capital assets, being depreciated, net	<u>183,209,092</u>	<u>(6,086,350)</u>	<u>(782,615)</u>	<u>176,340,127</u>
Capital assets, net	<u>\$ 305,568,599</u>	<u>\$ (4,930,660)</u>	<u>\$ (1,430,152)</u>	<u>\$ 299,207,787</u>

In the fiscal year ended June 30, 2016, the City sold property to a nonprofit corporation that resulted in a significant loss totaling \$893,458. Due to the unusual nature of this transaction, the loss has been reported as a special item in the statement of activities.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

4. CAPITAL ASSETS (CONTINUED):

Construction in progress consists primarily of infrastructure, the sports park, and the recreation center.

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 18,251
Public safety	38,894
Public works, including depreciation of infrastructure assets	8,100,460
Management services	116,547
Community services	2,069
Depreciation on capital assets held by the City's internal service fund is charged to the various functions based on their usage of the assets	41,455
Total depreciation expense - governmental activities	<u>\$ 8,317,676</u>

**Construction Commitments**

As of June 30, 2016, budgeted funds committed for major capital projects included the following projects:

	<u>Project Budget</u>	<u>Expenditures to Date</u>	<u>Unexpended Balance</u>
Portola Parkway Widening/Streetscape Improvement	\$ 910,765	\$ 37,898	\$ 872,867
ADA Access Ramp Improvements, Phase 8	174,715	141,812	32,903

The City's encumbered appropriations lapse at year-end and, therefore, do not represent commitments.

5. INTERFUND ACTIVITIES:

**Due From/Due To Other Funds**

Amounts due from and due to other funds at June 30, 2016 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds:	
	Supplemental Law Enforcement Grant Special Revenue Fund	\$ 12,239
	Community Development Block Grant Special Revenue Fund	39,340
		<u>\$ 51,579</u>

The interfund balance reflected above represents short-term borrowings of cash pending receipt of reimbursements from granting agencies and others.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

5. INTERFUND ACTIVITIES (CONTINUED):

**Interfund Transfers**

Interfund transfers during the year ended June 30, 2016 consisted of the following:

Governmental Activities	Purpose	Transfers In	Transfers Out	Net Transfers
General Fund	Program support	\$ 2,291,100	\$ (7,400,000)	\$ (5,108,900)
Capital Improvement Projects				
Capital Projects Fund	Program support	7,400,000	(1,093,200)	6,306,800
Other Governmental Funds:				
Lake Forest Transportation Mitigation Capital Projects Fund	Program support	-	(2,291,100)	(2,291,100)
Finance Authority				
Debt Service Fund	Program support	<u>1,093,200</u>	<u>-</u>	<u>1,093,200</u>
		<u>\$ 10,784,300</u>	<u>\$ (10,784,300)</u>	<u>\$ -</u>

6. LONG-TERM LIABILITIES:

The change in the City's long-term liabilities during the year ended June 30, 2016 consisted of the following:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016	Due Within One Year	Due in More Than One Year
2011 Certificates of Participation	\$ 9,270,000	\$ -	\$ (735,000)	\$ 8,535,000	\$ 755,000	\$ 7,780,000
Compensated absences	<u>684,078</u>	<u>507,543</u>	<u>(484,734)</u>	<u>706,887</u>	<u>484,700</u>	<u>222,187</u>
Total long-term liabilities	<u>\$ 9,954,078</u>	<u>\$ 507,543</u>	<u>\$ (1,219,734)</u>	<u>\$ 9,241,887</u>	<u>\$ 1,239,700</u>	<u>\$ 8,002,187</u>

**2011 Certificates of Participation**

On August 1, 2011, the Rancho Cañada Financing Authority issued \$10,965,000 in Certificates of Participation for the Alton Parkway Improvement Project. Interest is payable beginning December 1, 2011, and semiannually on each June 1 and December 1. The interest rate ranges from 1.97% to 3.94%. The certificates mature serially beginning December 1, 2013 through December 1, 2025. The outstanding balance at June 30, 2016 was \$8,535,000.

The Certificates utilize an asset transfer structure, whereby, concurrent with the debt issuance, the City entered into a lease agreement with the Rancho Cañada Financing Authority with respect to Foothill Ranch Community Park and Tamarisk Park, (collectively, the "Leased Property"). The City will sublease the Leased Property to the Financing Authority, and the Financing Authority will sublease the property to the City.

# CITY OF LAKE FOREST

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

### 6. LONG-TERM LIABILITIES (CONTINUED):

#### 2011 Certificates of Participation (Continued)

The City is obligated to pay lease payments under the lease agreement from any legally available monies. The lease payments are calculated to be an amount sufficient to pay all principal and interest represented by the Certificates when due.

Annual debt service requirements to maturity for these Certificates of Participation are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 755,000	\$ 328,991	\$ 1,083,991
2018	790,000	298,948	1,088,948
2019	815,000	267,526	1,082,526
2020	855,000	235,022	1,090,022
2021	885,000	201,039	1,086,039
2022-2026	4,435,000	448,276	4,883,276
	<u>\$ 8,535,000</u>	<u>\$ 1,779,802</u>	<u>\$ 10,314,802</u>

The Certificates of Participation are subject to federal arbitrage regulations. The City has no arbitrage calculation due until August 2016.

#### Compensated Absences

The City's policies relating to employee leave benefits are described in Note 1.1. This liability will be paid in future years from future resources primarily from the General Fund. As of June 30, 2016, the outstanding balance was \$706,887.

### 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB):

#### Plan Description

In connection with the retirement benefits for employees described in Note 13, the City provides post-retirement medical benefits to retirees. The Plan is a multi-employer defined benefit plan with PARS. These benefits are available to employees who retire with the City with at least 5 years of service with a minimum retirement age of 50 years. The retiree is entitled to participate in the City sponsored medical plan and the City contributes up to \$97.60 per month toward the premium for employee only coverage under the City sponsored medical plans. The Plan does not issue a publicly available financial report. In fiscal year 2010-2011, the City established the other post-employment benefit trust and deposited \$200,000 in an irrevocable trust. An additional deposit of \$242,100 was made in fiscal year 2012-2013. No deposits were made in fiscal year 2013-2014 through 2015-2016. The plan and trust are reported as a fiduciary fund other post-employment benefit trust. Cash and investments held by trust as of June 30, 2016, totaled \$473,006.

# CITY OF LAKE FOREST

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

### 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

#### **Plan Description (Continued)**

Below is the plan participant data as of June 30, 2016:

Retirees and beneficiaries receiving benefit	9
Active plan members	<u>62</u>
Total plan participants	<u>71</u>

#### **Accounting for the Plan**

The other post-employment benefit trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

#### **Method Used to Value Investments**

Investments are reported at fair value, which is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

#### **Funding Policy**

The contribution requirements of plan members and the City are established and may be amended by the City, the City's City Council, and/or the employee associations. The City did not have a contribution for the fiscal year 2015-2016. The plan does not require employee contributions. Administrative costs of this plan are financed through investment earnings.

#### **Annual OPEB Cost and Net OPEB Asset**

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed thirty years.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

**Annual OPEB Cost and Net OPEB Asset (Continued)**

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB asset to the Retiree Health Plan:

Annual required contribution	\$ 42,797
Interest on net OPEB asset	(8,356)
Adjustment to annual required contribution	<u>8,356</u>
Annual OPEB cost (expense)	42,797
Actual contributions made	<u>-</u>
Decrease in net OPEB asset	42,797
Net OPEB Asset - beginning of year	<u>(167,116)</u>
Net OPEB Asset - end of year	<u><u>\$ (124,319)</u></u>

The City's annual OPEB cost, the actual contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the three years ended June 30, 2016, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
06/30/14	\$ 50,024	\$ -	0.0 %	\$ (217,140)
06/30/15	50,024	-	0.0%	(167,116)
06/30/16	42,797	-	0.0%	(124,319)

**Funded Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date, the plan was 89.31% funded (actuarial value of assets as a percentage of actuarial accrued liability). The actuarial accrued liability for benefits was \$551,506, and the actuarial value of assets was \$492,558, resulting in an unfunded actuarial accrued liability (UAAL) of \$58,948. Assets were valued using a five year smoothing formula with a 20% corridor around market value. The covered payroll (annual payroll of active employees covered by the plan) was \$5,368,494 and the ratio of the UAAL to the covered payroll was 1.10%.



CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

**Funded Status and Funding Progress (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement and mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress and the schedule of employer contributions, presented as required supplementary information following the notes to the basic financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits and the percentage of the annual required contribution that was contributed.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an investment interest rate of 5% per annum (net of administrative expenses), and a general inflation rate of 2.75% per annum. Medical premiums, based on unadjusted premiums, were assumed to increase annually at a rate of 4%. The July 1, 2015 actuarial valuation did not include the implicit subsidy. The UAAL is being amortized as a level percentage of projected payroll over 30 years on a closed basis for the initial UAAL and an open 25 year amortization for any residual UAAL.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

8. RISK MANAGEMENT:

**Description of Self-insurance Pool Pursuant to Joint Powers Agreement**

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

**Self-Insurance Programs of the Authority**

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years are closed, on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Liability - In the liability program, claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million are distributed based on the outcome of cost allocation within the first and second loss layers.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

8. RISK MANAGEMENT (CONTINUED):

**Self-Insurance Programs of the Authority (Continued)**

Liability (Continued) - For 2015-16, the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million x/s \$5 million layer, however it is fully covered under a separate policy and therefore not retained by the Authority.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

Workers' Compensation - In the workers' compensation, program claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2015-16 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

8. RISK MANAGEMENT (CONTINUED):

**Purchased Insurance**

Property Insurance - The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. City property currently has all-risk property insurance protection in the amount of \$96,744,773. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Earthquake and Flood Insurance - The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City property currently has earthquake protection in the amount of \$3,032,851. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance - The City purchases crime insurance coverage in the amount of \$3,000,000 with a \$25,000 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

**Adequacy of Protection**

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2015-16.

9. CLASSIFICATION OF NET POSITION AND GOVERNMENTAL FUND BALANCES:

**Net Position Classifications**

The City's net position at June 30, 2016 is tabulated below, followed by explanations as to the nature and purpose of each classification.

Net investment in capital assets:

Capital assets, not being depreciated	\$ 122,867,660
Depreciable capital assets, net	176,340,127
Certificates of participation	<u>(8,535,000)</u>
Net investment in capital assets	<u>290,672,787</u>

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

9. CLASSIFICATION OF NET POSITION AND GOVERNMENTAL FUND BALANCES  
(CONTINUED):

**Net Position Classifications (Continued)**

Restricted net position:

Low and moderate income housing	\$ 3,062,535
Debt service	54
Redevelopment/economic development	1,564,462
Public safety	26,448
Public works	15,340,107
Community services	36,653,706
Pension benefits	<u>1,043,297</u>
Total restricted net position	<u>57,690,609</u>

Unrestricted net position	<u>53,161,871</u>
Total net position	<u>\$ 401,525,267</u>

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation on these assets and related long-term debt used to acquire the assets reduces this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the City that is not restricted for any project or other purpose.

**Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

9. CLASSIFICATION OF NET POSITION AND GOVERNMENTAL FUND BALANCES  
(CONTINUED):

**Governmental Fund Balance Classifications**

The City's governmental fund balances at June 30, 2016 are tabulated below, followed by explanations as to the nature and purpose of each classification.

	General Fund	Gas Tax Special Revenue Fund	Opportunities Study Area Capital Projects Fund	Capital Improvement Projects Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaid items	\$ 178,475	\$ -	\$ -	\$ -	\$ -	\$ 178,475
Restricted for:						
Street maintenance	-	1,740,312	-	-	1,141,206	2,881,518
Air quality	-	-	-	-	454,230	454,230
Grant programs	-	-	-	-	1,784,583	1,784,583
Housing programs	-	-	-	-	3,062,535	3,062,535
Capital projects	-	-	32,899,402	-	15,564,990	48,464,392
Debt service	-	-	-	-	54	54
Pension benefits	1,043,297	-	-	-	-	1,043,297
Assigned for:						
Emergency services	3,000,000	-	-	-	-	3,000,000
Economic contingency	5,849,600	-	-	-	-	5,849,600
Capital projects	-	-	-	9,883,339	-	9,883,339
Unassigned	33,963,474	-	-	-	-	33,963,474
	<u>\$ 44,034,846</u>	<u>\$ 1,740,312</u>	<u>\$ 32,899,402</u>	<u>\$ 9,883,339</u>	<u>\$ 22,007,598</u>	<u>\$ 110,565,497</u>

**Nonspendable Fund Balance** - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted Fund Balance** - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.

**Committed Fund Balance** - This classification includes amounts that have been limited to specific purposes as defined in the City's Municipal Code or through adoption of an ordinance by the City Council, the highest level of decision making authority of the City. These commitments may be changed or lifted but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

9. CLASSIFICATION OF NET POSITION AND GOVERNMENTAL FUND BALANCES  
(CONTINUED):

**Governmental Fund Balance Classifications (Continued)**

Assigned Fund Balance - This classification includes amounts that are intended to be used by the City for specific purposes through the City Council budgetary actions but do not meet the criteria to be classified as restricted or committed. Intent is expressed by the City Council. The City Council has not delegated the authority to assign amounts.

Unassigned Fund Balance - This classification includes the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to apply committed fund balance first, and then assigned fund balance, and finally unassigned fund balance.

10. OPERATING LEASES:

The City leases the City Hall facility and other equipment under noncancelable operating leases. The City Hall lease expires June 30, 2018 with monthly lease payments ranging from \$51,119 to \$54,232. The various equipment leases expire in December 2017 through May 2019 with monthly lease payments of \$239 to \$1,466. Facility and equipment lease expense for the year ended June 30, 2016 was \$635,435.

The future minimum lease payments for these leases for the next three years are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2017	\$ 659,128
2018	676,561
2019	6,190
	<u>\$ 1,341,879</u>

## CITY OF LAKE FOREST

### NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

#### 11. JOINT VENTURE:

In January 1995, the City of Lake Forest entered into a joint powers agreement with Cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, and Yorba Linda, and the County of Orange to create the Orange County Fire Authority (Authority). Since the creation of the Authority, the Cities of Aliso Viejo, Laguna Woods, Rancho Santa Margarita, and Westminster joined the Authority as members eligible for fire protection services. The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services, and related and incidental services, including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each city and two from the County. The operations of the Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, and Seal Beach. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, and Seal Beach are considered "cash contract cities" and, accordingly, make cash contributions based on the Authority's annual budget. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2016. Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership.

Complete financial statements may be obtained from the Orange County Fire Authority, 180 South Water Street, Orange, California 92866.

#### 12. DEFERRED COMPENSATION PLANS:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The plan is available to all employees until termination, retirement, death or unforeseeable emergency. The assets of the plan are held for the exclusive benefit of the plan participants and their beneficiaries and the assets shall not be diverted for any other purpose. Each participant directs the investments in their respective accounts and the City has no liability for any losses that may be incurred. Pursuant to federal legislation, the Section 457 plan assets were placed in trust for the exclusive benefit of all employees and their beneficiaries and are not available to the creditors of the City. For this reason, the assets and related liabilities of the plan have been removed from the financial records of the City and are not included in the accompanying financial statements.



CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

12. DEFERRED COMPENSATION PLANS (CONTINUED):

Effective July 1, 2005, the City established the PARS Retirement Enhancement Plan, a 401(a) defined contribution for the City manager. The plan provides a supplemental retirement benefit in addition to CalPERS retirement benefit. An employee shall participate in this plan if he is employed as City Manager of the City as of July 1, 2005. The participant contributes a percentage of his compensation pursuant to the tier prescribed in the plan. The amount of contribution ranges from 0% to 20% of compensation and will be determined by the City. The participant set at a contribution level other than 0% may not change his contribution percentage at any time. The participant initially set at 0% will be reviewed annually by the City for changes in contribution percentage. The City makes monthly contributions to the plan in an amount determined annually by the City subject to IRC 415 limits. The assets of the plan are held for the exclusive benefit of the plan participant and his beneficiaries and the assets shall not be diverted for any other purpose. The participant directs the investments in their respective accounts and the City has no liability for any losses that may be incurred. Pursuant to federal legislation, the Section 401(a) plan assets were placed in trust for the exclusive benefit of the employee and his beneficiaries and are not available to the creditors of the City. For this reason, the assets and related liabilities of the plan have been removed from the financial records of the City and are not included in the accompanying financial statements. The City made no contributions to this plan in fiscal year 2015-2016.

13. PENSION PLANS:

**Defined Benefit Plans**

a. General Information about the Pension Plans:

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Employee Pension Plans, which is a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

# CITY OF LAKE FOREST

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

### 13. PENSION PLANS (CONTINUED):

#### Defined Benefit Plans (Continued)

##### a. General Information about the Pension Plans (Continued):

##### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	\$136,837 + 8.512%	6.237%

##### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

13. PENSION PLANS (CONTINUED):

**Defined Benefit Plans (Continued)**

- b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability of all Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 3,649,775</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	Miscellaneous
Proportion - June 30, 2014	<u>0.14309%</u>
Proportion - June 30, 2015	0.13304%
Change - Increase (Decrease)	-0.01005%

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

13. PENSION PLANS (CONTINUED):

**Defined Benefit Plans (Continued)**

- b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

For the year ended June 30, 2016, the City recognized pension expense of \$141,322. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,328,303	\$ -
Differences between actual and expected experience	38,414	-
Change in assumptions	-	(363,432)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	91,767	(57,666)
Net differences between projected and actual earnings on plan investments	-	(182,192)
Total	<u>\$ 4,458,484</u>	<u>\$ (603,290)</u>

\$4,328,303 is reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2017	\$ (224,051)
2018	(234,248)
2019	(247,697)
2020	232,887
2021	-
Thereafter	-

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

13. PENSION PLANS (CONTINUED):

**Defined Benefit Plans (Continued)**

- b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

- (1) Depending on age, service and type of employment  
(2) Net of pension plan investment expenses, including inflation  
(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

13. PENSION PLANS (CONTINUED):

**Defined Benefit Plans (Continued)**

- b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Change of Assumptions

GASB 68 paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

## CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

## 13. PENSION PLANS (CONTINUED):

**Defined Benefit Plans (Continued)**

- b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Discount Rate (Continued)

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

13. PENSION PLANS (CONTINUED):

**Defined Benefit Plans (Continued)**

- b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$ 6,737,528
Current Discount Rate	7.65%
Net Pension Liability	\$ 3,649,775
1% Increase	8.65%
Net Pension Liability	\$ 1,100,476

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

- c. Payable to the Pension Plan:

At June 30, 2016, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

- d. Pension Trust Fiduciary Fund:

During fiscal year 2015-16, the City established the Pension Trust Fund with PARS (trustee) and contributed \$1,000,000 to an irrevocable trust to prefund the City's pension obligation. The trust is shown as a fiduciary fund in the Statement of Fiduciary Net Position. The balance in the irrevocable trust is not included in the amounts considered for the calculation of the net pension liability, but serves as an additional funding source for the pension liability of the City. Cash and investments held by trust as of June 30, 2016, totaled \$1,043,297.



CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

13. PENSION PLANS (CONTINUED):

**Defined Contribution Plan**

Omnibus Budget Reconciliation Act of 1990 (OBRA 90) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by Social Security or an alternate plan.

In accordance with this federal law, the City provides pension benefits for all part-time, seasonal and temporary employees through the City of Lake Forest Alternate Retirement System Plan administered by the Public Agency Retirement System (PARS-ARS). PARS-ARS is a defined contribution pension plan and benefits depend solely on amounts contributed to the plan plus investment earnings.

Federal legislation requires defined contributions to the retirement plan of at least 7.5% of the employee's salary. Accordingly, contributions to the plan consist of 6.2% by the employee and 1.3% by the City. All part-time, seasonal or temporary employees are immediately eligible to participate in the plan from the date of employment and all contributions are fully vested. The contribution requirements are established by federal statutes and may be amended by the federal government.

For the year ended June 30, 2016, the City's payroll covered by the plan was \$646,100. Contributions to the plan totaled \$48,473 with employee contributions in the amount of \$40,075 (6.2% of current covered payroll) and City contributions in the amount of \$8,398 (1.3% of current covered payroll).

14. COMMITMENTS AND CONTINGENCIES:

**Litigation**

The City is involved as a defendant in various legal proceedings. While it is not feasible to predict or determine the outcome in these cases, it is the opinion of the City that the outcome will have no material adverse effect on the financial position of the City.

**Federal and State Grants**

The City has received state and federal funds for specific purposes that are subject to review by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that required reimbursements, if any, will not be material.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

14. COMMITMENTS AND CONTINGENCIES (CONTINUED):

**2004 Certificates of Participation**

On March 1, 2004, the Rancho Cañada Financing Authority issued \$9,505,000 in Certificates of Participation. The outstanding balance at June 30, 2016 was \$6,865,000. Upon dissolution of the Lake Forest Redevelopment Agency on February 1, 2012, these Certificates of Participation were transferred to the Successor Agency (see Note 16). The debt service payments have been approved by the State of California Department of Finance as an enforceable obligation of the Successor Agency, should the Department of Finance change its position, this would become an obligation of the City.

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, Assembly Bills 1x 26 (the “Dissolution Act”) and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package, which dissolved the redevelopment agency.

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

In September 2015, the Legislature passed and the Governor signed SB 107, which made additional changes to the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each “Dissolved RDA”) was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On January 17, 2012, the City elected to serve as the Successor Agency to the Lake Forest Redevelopment Agency.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards are to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction.

AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The Lake Forest Housing Authority elected on January 17, 2012 to serve as the Housing Successor Agency.

As of the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in the Housing Authority Special Revenue Fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller, the California Department of Finance (the "DOF") and the California State Controller's office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs. The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTTF fund is to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations.

The Successor Agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations.

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

The State Controller of the State of California has been directed to review the propriety of any transfers of assets between Dissolved RDA and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The State Controller completed its review on October 21, 2014 and did not identify any unallowable transfers of assets that occurred during the audit between the former RDA, the City or other public agencies that had not already been corrected by the City.

As part of the dissolution process AB1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012 and January 15, 2013 to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. These funds were to be remitted to the CAC after the DOF completed its review of the due diligence reviews. The Successor Agency made payments totaling \$9,751,501 to the CAC as a result of the due diligence review.

The DOF issued a Finding of Completion on April 26, 2013 in which DOF concurred that the Successor Agency has made full payments of any payments required as a result of the due diligence reviews. The Successor Agency was not required to adopt a Long Range Property Management Program (LRPMP).

The Finding of Completion, and finding that the loans were for legitimate redevelopment purposes allowed the placement of formerly disallowed expenditures between the former redevelopment agency and the City on the ROPS in fiscal year 2013-2014. This resulted in the loan repayment from the Successor Agency to the City for the full amount of the loan balance totaling \$355,281 in fiscal year 2013-2014. As required by law, 20% of the loan repayment from the Successor Agency, totaling \$71,056, was reported in the Housing Authority Special Revenue Fund, which serves as the Low and Moderate Income Housing Asset Fund. The remainder of the loan repayment, totaling \$284,225, was reported in the General Fund.

Management believes, in consultation with legal counsel, that the obligations, which include transfers and repayment of advances for the City of the Dissolved RDA due to the City, are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

# CITY OF LAKE FOREST

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

### 16. SUCCESSOR AGENCY DISCLOSURES:

#### Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016	Due Within One Year	Due in More Than One Year
2004 Certificates of Participation	\$ 7,125,000	\$ -	\$ (260,000)	\$ 6,865,000	\$ 270,000	\$ 6,595,000

#### 2004 Certificates of Participation

On March 1, 2004, the Rancho Cañada Financing Authority issued \$9,505,000 in Certificates of Participation to partially finance the El Toro Road Traffic and Landscape Improvement Project. Interest is payable beginning June 1, 2004, and semiannually on each June 1 and December 1. The interest rate of this debt at the date of issue ranges from 2.80% to 4.25%. The certificates mature serially beginning December 1, 2004 through December 1, 2033. A reserve surety bond funded the legal reserve requirement of \$552,218 and is in place for the full amount as of June 30, 2016. The outstanding balance at June 30, 2016 was \$6,865,000.

The Certificates utilize an asset transfer structure whereby, concurrent with the above debt issuance, the City entered into a lease agreement with the Rancho Cañada Financing Authority with respect to Concourse Park, Pittsford Park, Rimgate Park and Lake Forest Golf and Practice Center (collectively, the "Leased Property"). The City will sublease the Leased Property to the Authority, and the Authority will sublease the Leased Property to the City. The City is obligated to pay lease payments under the lease agreement from any legally available monies, including transfers from the Redevelopment Agency. The lease payments are calculated to be an amount sufficient to pay all principal and interest represented by the Certificates when due.

Annual debt service requirements to maturity for these Certificates of Participation are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 270,000	\$ 275,138	\$ 545,138
2018	280,000	265,647	545,647
2019	290,000	255,455	545,455
2020	300,000	244,538	544,538
2021	310,000	232,867	542,867
2022-2026	1,755,000	962,410	2,717,410
2027-2031	2,145,000	556,875	2,701,875
2032-2034	1,515,000	98,281	1,613,281
	<u>\$ 6,865,000</u>	<u>\$ 2,891,211</u>	<u>\$ 9,756,211</u>

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

**Long-Term Liabilities (Continued)**

**2004 Certificates of Participation (Continued)**

The Certificates of Participation are subject to federal arbitrage regulations. The City calculated no arbitrage rebate due as of March 2009. No additional arbitrage reports were required since the proceeds were fully expended.

17. RESTATEMENT OF FUND BALANCE:

**Fund Balance - July 1, 2015**

The fund balance of the non-major Housing Authority Special Revenue Fund as of July 1, 2015 was restated as follows:

Fund balance as previously reported as of June 30, 2015	\$ 1,341,740
Implementation of GASB Statement No. 72 to reclassify land held for resale as a capital asset	<u>(326,000)</u>
Fund balance as restated July 1, 2015	<u>\$ 1,015,740</u>

18. SUBSEQUENT EVENTS:

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 19, 2016, the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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# CITY OF LAKE FOREST

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

### Last Ten Fiscal Years\*

Fiscal year ended	June 30, 2016	June 30, 2015
Measurement period	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.05317%	0.05683%
Plan's proportionate share of the net pension liability	\$ 3,649,775	\$ 3,536,521
Plan's covered - employee payroll	\$ 5,368,494	\$ 5,321,851
Plan's proportionate share of the net pension liability as a percentage of its covered - employee payroll	67.99%	66.45%
Plan's proportionate share of fiduciary net position as a percentage of the Plan's total pension liability	78.40%	79.82%
Plan's proportionate share of aggregate employer contributions	\$ 658,027	\$ 467,868

#### Notes to Schedule:

##### Benefit Changes:

There were no changes in benefits.

##### Changes in Assumptions:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

CITY OF LAKE FOREST  
SCHEDULE OF CONTRIBUTIONS  
Last Ten Fiscal Years\*

Fiscal year ended	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 607,438	\$ 600,646
Contributions in relation to the actuarially determined contributions	(4,328,303)	(600,646)
Contribution deficiency (excess)	<u>\$ (3,720,865)</u>	<u>\$ -</u>
Covered - employee payroll	\$ 5,714,410	\$ 5,368,494
Contributions as a percentage of covered - employee payroll	75.74%	11.19%

Notes to Schedule:

Valuation Date 6/30/2013

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment; including inflation of 2.75%**
Investment rate of return	7.75%, net of pension plan investment expense, including inflation**
Retirement age	50 years (2% @55) and 52 years (2% @62)**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.**

\* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

\*\* - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) included the same actuarial assumptions

\*\*\* - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method.

CITY OF LAKE FOREST

OTHER POST-EMPLOYMENT BENEFITS PLAN

For the year ended June 30, 2016

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Payroll [(b)-(a)]/(c)
11/01/11	\$ -	\$ 442,859	\$ 442,859	0.00%	\$ 5,115,936	8.66%
06/30/13	\$ 450,239	\$ 499,136	\$ 48,897	90.20%	\$ 5,201,037	0.94%
07/01/15	\$ 492,558	\$ 551,506	\$ 58,948	89.31%	\$ 5,368,494	1.10%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2011	\$ 68,041	7.11%
2012	68,041	300.30%
2013	50,024	494.29%
2014	50,024	0.00%
2015	50,024	0.00%
2016	42,797	0.00%

CITY OF LAKE FOREST  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 36,087,700	\$ 37,016,500	\$ 38,048,982	\$ 1,032,482
Licenses and permits	1,756,300	2,872,500	2,790,321	(82,179)
Intergovernmental	30,000	30,000	65,002	35,002
Charges for services	2,222,500	3,526,600	3,616,337	89,737
Fines and forfeitures	385,000	385,000	539,537	154,537
Investment income	200,000	200,000	611,841	411,841
Other	328,600	456,100	406,382	(49,718)
TOTAL REVENUES	41,010,100	44,486,700	46,078,402	1,591,702
EXPENDITURES:				
Current:				
General government:				
City council	128,000	128,000	114,541	13,459
City manager	694,700	735,700	715,572	20,128
City attorney	1,318,000	1,318,000	1,056,645	261,355
City clerk	602,200	715,000	692,287	163,241
Finance	1,165,500	1,165,500	1,002,259	22,713
Public safety:				
Police services	15,141,700	15,187,200	14,592,058	595,142
Public works	9,709,000	10,211,100	10,147,871	63,229
Development services	2,371,600	3,334,800	3,085,798	249,002
Management services	4,470,500	9,198,900	8,023,916	1,174,984
Community services	3,444,700	3,557,100	3,433,759	123,341
Redevelopment/economic development	1,087,100	1,092,100	1,068,242	23,858
TOTAL EXPENDITURES	40,133,000	46,643,400	43,932,948	2,710,452
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	877,100	(2,156,700)	2,145,454	4,302,154
OTHER FINANCING SOURCES (USES):				
Transfers in	2,291,100	2,291,100	2,291,100	-
Transfers out	(7,400,000)	(7,400,000)	(7,400,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(5,108,900)	(5,108,900)	(5,108,900)	-
NET CHANGE IN FUND BALANCE	(4,231,800)	(7,265,600)	(2,963,446)	4,302,154
FUND BALANCE - BEGINNING OF YEAR	46,998,292	46,998,292	46,998,292	-
FUND BALANCE - END OF YEAR	\$ 42,766,492	\$ 39,732,692	\$ 44,034,846	\$ 4,302,154

CITY OF LAKE FOREST  
BUDGETARY COMPARISON SCHEDULE  
GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,674,300	\$ 1,674,300	\$ 1,749,069	\$ 74,769
Investment income	2,000	2,000	12,571	10,571
TOTAL REVENUES	<u>1,676,300</u>	<u>1,676,300</u>	<u>1,761,640</u>	<u>85,340</u>
EXPENDITURES:				
Current:				
Public works	1,824,400	1,824,400	1,619,437	204,963
Capital outlay	<u>65,000</u>	<u>65,000</u>	<u>10,785</u>	<u>54,215</u>
TOTAL EXPENDITURES	<u>1,889,400</u>	<u>1,889,400</u>	<u>1,630,222</u>	<u>259,178</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(213,100)	(213,100)	131,418	344,518
FUND BALANCE - BEGINNING OF YEAR	<u>1,608,894</u>	<u>1,608,894</u>	<u>1,608,894</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,395,794</u>	<u>\$ 1,395,794</u>	<u>\$ 1,740,312</u>	<u>\$ 344,518</u>

## CITY OF LAKE FOREST

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

#### 1. BUDGETARY POLICY AND CONTROL:

##### **Budgetary Basis of Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. Annual budgets are adopted for the General, Special Revenue, Debt Service, Capital Projects and Internal Service Funds.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within a department. The City Manager is authorized to transfer appropriations within and between departments/projects provided there is no net increase in total appropriations at the department level.

Budgeted amounts presented are as originally adopted and as further amended by the City Council.

##### **Continuing Appropriations**

The unexpended and unencumbered appropriations, which are available and recommended for continuation to the following fiscal year, are approved by the City Council for carryover. Encumbered appropriations lapse at year-end but are recommended to the City Council for carryover.

## **SUPPLEMENTARY INFORMATION**

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

OPPORTUNITIES STUDY AREA CAPITAL PROJECTS FUND - MAJOR FUND

For the year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Developer contributions	\$ 24,959,800	\$ 24,959,473	\$ (327)
EXPENDITURES:			
Capital outlay	3,100,000	745,408	2,354,592
EXCESS OF REVENUES OVER EXPENDITURES	21,859,800	24,214,065	2,354,265
FUND BALANCE - BEGINNING OF YEAR	8,685,337	8,685,337	-
FUND BALANCE - END OF YEAR	<u>\$ 30,545,137</u>	<u>\$ 32,899,402</u>	<u>\$ 2,354,265</u>



## CITY OF LAKE FOREST

## BUDGETARY COMPARISON SCHEDULE

## CAPITAL IMPROVEMENT PROJECTS CAPITAL PROJECTS FUND - MAJOR FUND

For the year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 585,400	\$ 1,393,494	\$ 808,094
Developer Contributions	500,000	500,000	-
Investment income	-	54,484	54,484
TOTAL REVENUES	1,085,400	1,947,978	862,578
EXPENDITURES:			
Capital outlay	4,030,186	1,298,673	2,731,513
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,944,786)	649,305	3,594,091
OTHER FINANCING SOURCES (USES):			
Transfers in	7,400,000	7,400,000	-
Transfers out	(1,093,200)	(1,093,200)	-
TOTAL OTHER FINANCING SOURCES (USES)	6,306,800	6,306,800	-
NET CHANGE IN FUND BALANCE	3,362,014	6,956,105	3,594,091
FUND BALANCE - BEGINNING OF YEAR	2,927,234	2,927,234	-
FUND BALANCE - END OF YEAR	\$ 6,289,248	\$ 9,883,339	\$ 3,594,091

CITY OF LAKE FOREST  
OTHER GOVERNMENTAL FUNDS

June 30, 2016

**SPECIAL REVENUE FUNDS**

City Facilities Maintenance Fund - This fund is used to account for developer impact fees to maintain City facilities.

Measure M Fund - The fund is used to account for the City's share of the sales tax increase authorized by Orange County's Measure "M". The monies are legally restricted for the acquisition, construction and improvement of public streets and for the Senior Mobility Program.

Air Quality Improvement Fund - This fund is used to account for the City's share of vehicle registration fees collected under AB2766 that the State of California has allocated to address air quality concerns in Southern California. These monies are to be used to fund programs to reduce air pollution from mobile sources such as cars, trucks, and buses.

Supplemental Law Enforcement Grant Fund - This fund is used to account for revenue and expenditures of the State funded Supplemental Law Enforcement Program.

Asset Forfeiture Fund - This fund is used to account for revenue and expenditures associated with asset forfeitures.

Housing Authority Fund - This fund is used to account for revenue and expenditures of a portion of the affordable housing administration in the City.

AB 939 Fund - This fund is used to account for revenue and expenditures from the City's franchise hauler for the purpose of general recycling activities under AB 939.

Beverage Recycling Fund - This fund is used to account for revenue and expenditures related to grant funding received from the California State Department of Conservation for the purpose of implementing and supporting beverage recycling programs within the City.

Community Development Block Grant Fund - This fund is used to account for receipts and expenditures made under the federal Community Development Block Grant program.

**DEBT SERVICE FUND**

Financing Authority Fund - This fund is used to account for debt service activity for the 2011 Lease Financing Certificates of Participation.

CITY OF LAKE FOREST  
OTHER GOVERNMENTAL FUNDS  
(CONTINUED)

June 30, 2016

**CAPITAL PROJECTS FUNDS**

City Facilities Fund - This fund is used to account for developer impact fees to construct improvements City-wide.

Lake Forest Transportation Mitigation Fund - This fund is used to account for developer impact fees to improve specific intersections City-wide.

Park Development Fund - This fund is used to account for developer impact fees and other funds received by the City for the specific purpose of constructing new parks or renovating existing parks.

Affordable Housing Fund - This fund is used to account for developer impact fees for affordable housing purposes and related capital projects.

CITY OF LAKE FOREST  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS

June 30, 2016

		Special Revenue Funds		
		City Facilities Maintenance	Measure M	Air Quality Improvement
ASSETS				
Cash and investments		\$ 1,486,747	\$ 1,078,828	\$ 444,283
Receivables:				
Interest		-	-	-
Grants		-	-	-
Loans		-	-	-
Notes		-	-	-
Due from other governments		-	458,482	27,395
TOTAL ASSETS		<u>\$ 1,486,747</u>	<u>\$ 1,537,310</u>	<u>\$ 471,678</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable		\$ -	\$ 300,925	\$ 10,034
Retentions payable		-	20,633	7,414
Due to other funds		-	-	-
Unearned revenue		-	-	-
TOTAL LIABILITIES		-	321,558	17,448
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues		-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES		-	-	-
FUND BALANCES:				
Restricted		1,486,747	1,215,752	454,230
TOTAL FUND BALANCES		1,486,747	1,215,752	454,230
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		<u>\$ 1,486,747</u>	<u>\$ 1,537,310</u>	<u>\$ 471,678</u>

Special Revenue Funds (Continued)

Supplemental Law Enforcement Grant	Asset Forfeiture	Housing Authority	AB 939	Beverage Recycling	Community Development Block Grant
\$ -	\$ 1,404	\$ 465,064	\$ 4,228	\$ 122,488	\$ -
-	-	-	-	-	18
37,283	-	-	-	-	225,529
-	-	312,389	-	-	1,536,280
-	-	100,000	-	-	-
-	-	-	-	-	-
<u>\$ 37,283</u>	<u>\$ 1,404</u>	<u>\$ 877,453</u>	<u>\$ 4,228</u>	<u>\$ 122,488</u>	<u>\$ 1,761,827</u>
\$ -	\$ -	\$ 7,471	\$ 2,388	\$ 5,201	\$ 152,536
-	-	-	-	-	5,489
12,239	-	-	-	-	39,340
-	-	600	-	-	-
<u>12,239</u>	<u>-</u>	<u>8,071</u>	<u>2,388</u>	<u>5,201</u>	<u>197,365</u>
-	-	100,000	-	-	-
-	-	100,000	-	-	-
<u>25,044</u>	<u>1,404</u>	<u>769,382</u>	<u>1,840</u>	<u>117,287</u>	<u>1,564,462</u>
<u>25,044</u>	<u>1,404</u>	<u>769,382</u>	<u>1,840</u>	<u>117,287</u>	<u>1,564,462</u>
<u>\$ 37,283</u>	<u>\$ 1,404</u>	<u>\$ 877,453</u>	<u>\$ 4,228</u>	<u>\$ 122,488</u>	<u>\$ 1,761,827</u>

(Continued)

## CITY OF LAKE FOREST

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
(CONTINUED)

June 30, 2016

		Debt Service Fund	Capital Projects Funds	
		Financing Authority	City Facilities	Lake Forest Transportation Mitigation
ASSETS				
Cash and investments		\$ 54	\$ 5,884,966	\$ 4,516,919
Receivables:				
Interest		-	-	-
Grants		-	-	-
Loans		-	-	-
Notes		-	-	-
Due from other governments		-	-	-
TOTAL ASSETS		<u>\$ 54</u>	<u>\$ 5,884,966</u>	<u>\$ 4,516,919</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable		\$ -	\$ -	\$ 3,400
Retentions payable		-	-	-
Due to other funds		-	-	-
Unearned revenue		-	-	-
TOTAL LIABILITIES		<u>-</u>	<u>-</u>	<u>3,400</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues		-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES		<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:				
Restricted		<u>54</u>	<u>5,884,966</u>	<u>4,513,519</u>
TOTAL FUND BALANCES		<u>54</u>	<u>5,884,966</u>	<u>4,513,519</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		<u>\$ 54</u>	<u>\$ 5,884,966</u>	<u>\$ 4,516,919</u>

Capital Projects Funds (Continued)			
Park Development	Affordable Housing	Total Other Governmental Funds	
\$ 3,723,695	\$ 2,293,153	\$ 20,021,829	
-	-	18	
-	-	262,812	
-	-	1,848,669	
-	-	100,000	
-	-	485,877	
<u>\$ 3,723,695</u>	<u>\$ 2,293,153</u>	<u>\$ 22,719,205</u>	
\$ 43,937	\$ -	\$ 525,892	
-	-	33,536	
-	-	51,579	
-	-	600	
<u>43,937</u>	<u>-</u>	<u>611,607</u>	
-	-	100,000	
-	-	100,000	
<u>3,679,758</u>	<u>2,293,153</u>	<u>22,007,598</u>	
<u>3,679,758</u>	<u>2,293,153</u>	<u>22,007,598</u>	
<u>\$ 3,723,695</u>	<u>\$ 2,293,153</u>	<u>\$ 22,719,205</u>	

# CITY OF LAKE FOREST

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2016

	Special Revenue Funds		
	City Facilities Maintenance	Measure M	Air Quality Improvement
REVENUES:			
Intergovernmental	\$ -	\$ 1,359,776	\$ 101,882
Charges for services	-	6,585	-
Developer contributions	377,364	-	129,134
Investment income	-	4,608	3,541
Other	-	-	-
TOTAL REVENUES	<u>377,364</u>	<u>1,370,969</u>	<u>234,557</u>
EXPENDITURES:			
Current:			
Public safety	-	-	-
Public works	-	-	41,523
Community services	-	78,039	-
Redevelopment/economic development	-	-	-
Capital outlay	-	614,204	257,742
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>692,243</u>	<u>299,265</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>377,364</u>	<u>678,726</u>	<u>(64,708)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>377,364</u>	<u>678,726</u>	<u>(64,708)</u>
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	<u>1,109,383</u>	<u>537,026</u>	<u>518,938</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,486,747</u>	<u>\$ 1,215,752</u>	<u>\$ 454,230</u>



Special Revenue Funds (Continued)

Supplemental Law Enforcement Grant	Asset Forfeiture	Housing Authority	AB 939	Beverage Recycling	Community Development Block Grant
\$ 161,858	\$ 1,404	\$ -	\$ -	\$ 21,034	\$ 445,717
-	-	-	-	-	-
-	-	-	-	-	-
-	-	3,814	-	-	230
-	-	114,343	40,200	-	-
<u>161,858</u>	<u>1,404</u>	<u>118,157</u>	<u>40,200</u>	<u>21,034</u>	<u>445,947</u>
177,000	45,113	-	-	-	-
-	-	-	38,362	9,128	-
-	-	-	-	-	-
-	-	364,515	-	-	181,867
-	-	-	-	-	176,397
-	-	-	-	-	-
-	-	-	-	-	-
<u>177,000</u>	<u>45,113</u>	<u>364,515</u>	<u>38,362</u>	<u>9,128</u>	<u>358,264</u>
<u>(15,142)</u>	<u>(43,709)</u>	<u>(246,358)</u>	<u>1,838</u>	<u>11,906</u>	<u>87,683</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(15,142)	(43,709)	(246,358)	1,838	11,906	87,683
40,186	45,113	1,015,740	2	105,381	1,476,779
<u>\$ 25,044</u>	<u>\$ 1,404</u>	<u>\$ 769,382</u>	<u>\$ 1,840</u>	<u>\$ 117,287</u>	<u>\$ 1,564,462</u>

(Continued)

## CITY OF LAKE FOREST

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS  
(CONTINUED)

For the year ended June 30, 2016

	Debt Service Fund	Capital Projects Funds	
	Financing Authority	City Facilities	Lake Forest Transportation Mitigation
REVENUES:			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	-	-
Developer contributions	-	1,876,188	1,388,587
Investment income	-	-	22,030
Other	-	-	-
TOTAL REVENUES	<u>-</u>	<u>1,876,188</u>	<u>1,410,617</u>
EXPENDITURES:			
Current:			
Public safety	-	-	-
Public works	-	-	-
Community services	-	-	-
Redevelopment/economic development	-	-	-
Capital outlay	-	-	3,760
Debt service:			
Principal	735,000	-	-
Interest and fiscal charges	358,146	-	-
TOTAL EXPENDITURES	<u>1,093,146</u>	<u>-</u>	<u>3,760</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,093,146)</u>	<u>1,876,188</u>	<u>1,406,857</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	1,093,200	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(2,291,100)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,093,200</u>	<u>-</u>	<u>(2,291,100)</u>
NET CHANGE IN FUND BALANCES	54	1,876,188	(884,243)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	<u>-</u>	<u>4,008,778</u>	<u>5,397,762</u>
FUND BALANCES - END OF YEAR	<u>\$ 54</u>	<u>\$ 5,884,966</u>	<u>\$ 4,513,519</u>

Capital Projects Funds (Continued)		
Park Development	Affordable Housing	Total Other Governmental Funds
\$ -	\$ -	\$ 2,091,671
-	-	6,585
686,665	481,452	4,939,390
19,211	11,303	64,737
-	-	154,543
<u>705,876</u>	<u>492,755</u>	<u>7,256,926</u>
-	-	222,113
-	-	89,013
-	-	78,039
-	-	546,382
150,784	-	1,202,887
-	-	735,000
-	-	358,146
<u>150,784</u>	<u>-</u>	<u>3,231,580</u>
<u>555,092</u>	<u>492,755</u>	<u>4,025,346</u>
-	-	1,093,200
-	-	(2,291,100)
-	-	(1,197,900)
555,092	492,755	2,827,446
<u>3,124,666</u>	<u>1,800,398</u>	<u>19,180,152</u>
<u>\$ 3,679,758</u>	<u>\$ 2,293,153</u>	<u>\$ 22,007,598</u>

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

CITY FACILITIES MAINTENANCE SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Developer contributions	\$ 386,500	\$ 377,364	\$ (9,136)
EXPENDITURES	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	386,500	377,364	(9,136)
FUND BALANCE - BEGINNING OF YEAR	1,109,383	1,109,383	-
FUND BALANCE - END OF YEAR	<u>\$ 1,495,883</u>	<u>\$ 1,486,747</u>	<u>\$ (9,136)</u>

CITY OF LAKE FOREST  
BUDGETARY COMPARISON SCHEDULE  
MEASURE M SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 1,403,700	\$ 1,359,776	\$ (43,924)
Charges for services	1,700	6,585	4,885
Investment income	1,500	4,608	3,108
TOTAL REVENUES	1,406,900	1,370,969	(35,931)
EXPENDITURES:			
Current:			
Community services	78,500	78,039	461
Capital outlay	1,473,420	614,204	859,216
TOTAL EXPENDITURES	1,551,920	692,243	859,677
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(145,020)	678,726	823,746
FUND BALANCE - BEGINNING OF YEAR	537,026	537,026	-
FUND BALANCE - END OF YEAR	\$ 392,006	\$ 1,215,752	\$ 823,746

## CITY OF LAKE FOREST

## BUDGETARY COMPARISON SCHEDULE

## AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 95,700	\$ 101,882	\$ 6,182
Developer contributions	130,000	129,134	(866)
Investment income	1,500	3,541	2,041
TOTAL REVENUES	227,200	234,557	7,357
EXPENDITURES:			
Current:			
Public works	60,800	41,523	19,277
Capital outlay	377,121	257,742	119,379
TOTAL EXPENDITURES	437,921	299,265	138,656
EXCESS OF REVENUES UNDER EXPENDITURES	(210,721)	(64,708)	146,013
FUND BALANCE - BEGINNING OF YEAR	518,938	518,938	-
FUND BALANCE - END OF YEAR	\$ 308,217	\$ 454,230	\$ 146,013

## CITY OF LAKE FOREST

## BUDGETARY COMPARISON SCHEDULE

## SUPPLEMENTAL LAW ENFORCEMENT GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 136,700	\$ 161,858	\$ 25,158
EXPENDITURES:			
Current:			
Public safety	177,000	177,000	-
EXCESS OF REVENUES UNDER EXPENDITURES	(40,300)	(15,142)	25,158
FUND BALANCE - BEGINNING OF YEAR	40,186	40,186	-
FUND BALANCE - END OF YEAR	\$ (114)	\$ 25,044	\$ 25,158

CITY OF LAKE FOREST  
BUDGETARY COMPARISON SCHEDULE  
ASSET FORFEITURE SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	<u>\$ 1,500</u>	<u>\$ 1,404</u>	<u>\$ (96)</u>
EXPENDITURES:			
Public Safety	<u>46,000</u>	<u>45,113</u>	<u>887</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(44,500)	(43,709)	791
FUND BALANCE - BEGINNING OF YEAR	<u>45,113</u>	<u>45,113</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 613</u></u>	<u><u>\$ 1,404</u></u>	<u><u>\$ 791</u></u>



CITY OF LAKE FOREST  
BUDGETARY COMPARISON SCHEDULE  
HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	\$ -	\$ 3,814	\$ 3,814
Other	131,000	114,343	(16,657)
TOTAL REVENUES	131,000	118,157	(12,843)
EXPENDITURES:			
Current:			
Redevelopment/economic development	502,500	364,515	137,985
EXCESS OF REVENUES UNDER EXPENDITURES	(371,500)	(246,358)	125,142
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	1,015,740	1,015,740	-
FUND BALANCE - END OF YEAR	\$ 644,240	\$ 769,382	\$ 125,142

CITY OF LAKE FOREST  
BUDGETARY COMPARISON SCHEDULE  
AB 939 SPECIAL REVENUE FUND  
For the year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Other	<u>\$ 40,200</u>	<u>\$ 40,200</u>	<u>\$ -</u>
EXPENDITURES:			
Current:			
Public works	<u>40,200</u>	<u>38,362</u>	<u>1,838</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	1,838	(1,838)
FUND BALANCE - BEGINNING OF YEAR	<u>2</u>	<u>2</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2</u></u>	<u><u>\$ 1,840</u></u>	<u><u>\$ (1,838)</u></u>

CITY OF LAKE FOREST  
BUDGETARY COMPARISON SCHEDULE  
BEVERAGE RECYCLING SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 21,500	\$ 21,034	\$ (466)
EXPENDITURES:			
Current:			
Public works	50,400	9,128	41,272
Capital outlay	72,100	-	72,100
TOTAL EXPENDITURES	122,500	9,128	113,372
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(101,000)	11,906	112,906
FUND BALANCE - BEGINNING OF YEAR	105,381	105,381	-
FUND BALANCE - END OF YEAR	\$ 4,381	\$ 117,287	\$ 112,906

## CITY OF LAKE FOREST

## BUDGETARY COMPARISON SCHEDULE

## COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 647,000	\$ 445,717	\$ (201,283)
Investment income	-	230	230
TOTAL REVENUES	647,000	445,947	(201,053)
EXPENDITURES:			
Current:			
Redevelopment/economic development	311,000	181,867	129,133
Capital outlay	335,915	176,397	159,518
TOTAL EXPENDITURES	646,915	358,264	288,651
EXCESS OF REVENUES OVER EXPENDITURES	85	87,683	87,598
FUND BALANCE - BEGINNING OF YEAR	1,476,779	1,476,779	-
FUND BALANCE - END OF YEAR	\$ 1,476,864	\$ 1,564,462	\$ 87,598

CITY OF LAKE FOREST  
BUDGETARY COMPARISON SCHEDULE  
FINANCING AUTHORITY DEBT SERVICE FUND

For the year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES:			
Debt service:			
Principal	735,000	735,000	-
Interest and fiscal charges	358,200	358,146	54
TOTAL EXPENDITURES	1,093,200	1,093,146	54
EXCESS OF REVENUES UNDER EXPENDITURES	(1,093,200)	(1,093,146)	54
OTHER FINANCING SOURCES:			
Transfers in	1,093,200	1,093,200	-
NET CHANGE IN FUND BALANCE	-	54	54
FUND BALANCE - BEGINNING OF YEAR	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ 54	\$ 54

CITY OF LAKE FOREST  
BUDGETARY COMPARISON SCHEDULE  
CITY FACILITIES CAPITAL PROJECTS FUND

For the year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Developer contributions	\$ 1,875,300	\$ 1,876,188	\$ 888
TOTAL REVENUES	1,875,300	1,876,188	888
EXPENDITURES	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	1,875,300	1,876,188	888
FUND BALANCE - BEGINNING OF YEAR	4,008,778	4,008,778	-
FUND BALANCE - END OF YEAR	<u>\$ 5,884,078</u>	<u>\$ 5,884,966</u>	<u>\$ 888</u>

## CITY OF LAKE FOREST

## BUDGETARY COMPARISON SCHEDULE

## LAKE FOREST TRANSPORTATION MITIGATION CAPITAL PROJECTS FUND

For the year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Developer contributions	\$ 1,417,200	\$ 1,388,587	\$ (28,613)
Investment income	-	22,030	22,030
TOTAL REVENUES	1,417,200	1,410,617	(6,583)
EXPENDITURES:			
Capital outlay	82,500	3,760	78,740
EXCESS OF REVENUES OVER EXPENDITURES	1,334,700	1,406,857	72,157
OTHER FINANCING USES:			
Transfers out	(2,291,100)	(2,291,100)	-
NET CHANGE IN FUND BALANCE	(956,400)	(884,243)	72,157
FUND BALANCE - BEGINNING OF YEAR	5,397,762	5,397,762	-
FUND BALANCE - END OF YEAR	\$ 3,484,962	\$ 4,513,519	\$ 144,314

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

PARK DEVELOPMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Developer contributions	\$ 685,000	\$ 686,665	\$ 1,665
Investment income	1,500	19,211	17,711
TOTAL REVENUES	686,500	705,876	19,376
EXPENDITURES			
Capital outlay	2,393,896	150,784	2,243,112
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,707,396)	555,092	2,262,488
FUND BALANCE - BEGINNING OF YEAR	3,124,666	3,124,666	-
FUND BALANCE - END OF YEAR	\$ 1,417,270	\$ 3,679,758	\$ 2,262,488



CITY OF LAKE FOREST  
BUDGETARY COMPARISON SCHEDULE  
AFFORDABLE HOUSING CAPITAL PROJECTS FUND  
For the year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Developer contributions	\$ 478,500	\$ 481,452	\$ 2,952
Investment income	2,500	11,303	8,803
TOTAL REVENUES	481,000	492,755	11,755
EXPENDITURES	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	481,000	492,755	11,755
FUND BALANCE - BEGINNING OF YEAR	1,800,398	1,800,398	-
FUND BALANCE - END OF YEAR	\$ 2,281,398	\$ 2,293,153	\$ 11,755

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CITY OF LAKE FOREST

AGENCY FUNDS

June 30, 2016

Road Construction Programs Fund - This fund is used to account for monies collected on behalf of the County of Orange and held in an agency capacity by the City.

Strong Motion Instrumentation Program Fund - This fund is used to account for monies collected in conjunction with building permits for the Strong Motion Instrumentation Program. These fees are collected pursuant to State law and are remitted to the State of California quarterly.

Building Standards Administration Fund - This fund is used to account for monies collected in conjunction with building permits for development and education efforts associated with green building standards. Fees are collected pursuant to State law and are remitted to the California Building Standards Commission quarterly.

CITY OF LAKE FOREST

COMBINING STATEMENT OF ASSETS AND LIABILITIES  
ALL AGENCY FUNDS

June 30, 2016

	Road Construction Programs	Strong Motion Instrumentation Program	Building Standards Administration	Totals
ASSETS				
Cash and investments	\$ 357,758	\$ 42,716	\$ 10,110	\$ 410,584
TOTAL ASSETS	<u>\$ 357,758</u>	<u>\$ 42,716</u>	<u>\$ 10,110</u>	<u>\$ 410,584</u>
LIABILITIES				
Deposits payable	\$ 357,758	42,716	\$ 10,110	\$ 410,584
TOTAL LIABILITIES	<u>\$ 357,758</u>	<u>\$ 42,716</u>	<u>\$ 10,110</u>	<u>\$ 410,584</u>

CITY OF LAKE FOREST

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS

For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>ROAD CONSTRUCTION PROGRAMS</b>				
ASSETS:				
Cash and investments	\$ 131,914	\$ 1,277,224	\$ 1,051,380	\$ 357,758
<b>TOTAL ASSETS</b>	<b>\$ 131,914</b>	<b>\$ 1,277,224</b>	<b>\$ 1,051,380</b>	<b>\$ 357,758</b>
LIABILITIES:				
Deposits payable	\$ 131,914	\$ 1,275,744	\$ 1,049,900	\$ 357,758
<b>TOTAL LIABILITIES</b>	<b>\$ 131,914</b>	<b>\$ 1,275,744</b>	<b>\$ 1,049,900</b>	<b>\$ 357,758</b>
<b>STRONG MOTION INSTRUMENTATION PROGRAM</b>				
ASSETS:				
Cash and investments	\$ 28,665	\$ 33,138	\$ 19,087	\$ 42,716
<b>TOTAL ASSETS</b>	<b>\$ 28,665</b>	<b>\$ 33,138</b>	<b>\$ 19,087</b>	<b>\$ 42,716</b>
LIABILITIES:				
Deposits payable	\$ 28,665	\$ 33,140	\$ 19,089	\$ 42,716
<b>TOTAL LIABILITIES</b>	<b>\$ 28,665</b>	<b>\$ 33,140</b>	<b>\$ 19,089</b>	<b>\$ 42,716</b>
<b>BUILDING STANDARDS ADMINISTRATION</b>				
ASSETS:				
Cash and investments	\$ 6,223	\$ 9,086	\$ 5,199	\$ 10,110
<b>TOTAL ASSETS</b>	<b>\$ 6,223</b>	<b>\$ 9,086</b>	<b>\$ 5,199</b>	<b>\$ 10,110</b>
LIABILITIES:				
Deposits payable	\$ 6,223	\$ 9,087	\$ 5,200	\$ 10,110
<b>TOTAL LIABILITIES</b>	<b>\$ 6,223</b>	<b>\$ 9,087</b>	<b>\$ 5,200</b>	<b>\$ 10,110</b>

(Continued)

CITY OF LAKE FOREST

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
(CONTINUED)

For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>TOTAL - ALL AGENCY FUNDS</b>				
ASSETS:				
Cash and investments	\$ 166,802	\$ 1,319,448	\$ 1,075,666	\$ 410,584
<b>TOTAL ASSETS</b>	<u>\$ 166,802</u>	<u>\$ 1,319,448</u>	<u>\$ 1,075,666</u>	<u>\$ 410,584</u>
LIABILITIES:				
Deposits payable	\$ 166,802	\$ 1,317,971	\$ 1,074,189	\$ 410,584
<b>TOTAL LIABILITIES</b>	<u>\$ 166,802</u>	<u>\$ 1,317,971</u>	<u>\$ 1,074,189</u>	<u>\$ 410,584</u>

## DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2016

This section of the City of Lake Forest's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the City's overall financial health. This information has not been audited by the independent auditor.

<b><u>Contents</u></b>	<b><u>Pages</u></b>
<b>Financial Trends</b>	122 - 129
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	131 - 135
These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.	
<b>Debt Capacity</b>	136 - 139
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt.	
<b>Demographic and Economic Information</b>	140 - 141
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	142 - 144
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

### Sources:

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB 34 in the year ended June 30, 2001; schedules presenting government-wide information include information beginning in that year.

CITY OF LAKE FOREST  
NET POSITION BY COMPONENT

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2016	2015	2014	2013
Governmental activities:				
Net investment in capital assets	\$ 290,672,787	\$ 295,972,599	\$ 279,126,412	\$ 261,724,142
Restricted	57,690,609	29,800,383	21,073,548	9,879,415
Unrestricted	53,161,871	46,337,745	47,136,786	41,298,066
Total governmental activities net position	<u>\$ 401,525,267</u>	<u>\$ 372,110,727</u>	<u>\$ 347,336,746</u>	<u>\$ 312,901,623</u>
Primary government:				
Net investment in capital assets	\$ 290,672,787	\$ 295,972,599	\$ 279,126,412	\$ 261,724,142
Restricted	57,690,609	29,800,383	21,073,548	9,879,415
Unrestricted	53,161,871	46,337,745	47,136,786	41,298,066
Total primary government net position	<u>\$ 401,525,267</u>	<u>\$ 372,110,727</u>	<u>\$ 347,336,746</u>	<u>\$ 312,901,623</u>



Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 230,847,108	\$ 196,180,216	\$ 170,707,057	\$ 170,898,743	\$ 151,991,756	\$ 152,736,236
7,250,841	10,548,032	10,901,503	6,965,580	7,917,936	6,756,713
71,885,182	81,447,176	95,586,635	101,720,693	100,096,806	94,134,305
<u>\$ 309,983,131</u>	<u>\$ 288,175,424</u>	<u>\$ 277,195,195</u>	<u>\$ 279,585,016</u>	<u>\$ 260,006,498</u>	<u>\$ 253,627,254</u>
\$ 230,847,108	\$ 196,180,216	\$ 170,707,057	\$ 170,898,743	\$ 151,991,756	\$ 152,736,236
7,250,841	10,548,032	10,901,503	6,965,580	7,917,936	6,756,713
71,885,182	81,447,176	95,586,635	101,720,693	100,096,806	94,134,305
<u>\$ 309,983,131</u>	<u>\$ 288,175,424</u>	<u>\$ 277,195,195</u>	<u>\$ 279,585,016</u>	<u>\$ 260,006,498</u>	<u>\$ 253,627,254</u>

CITY OF LAKE FOREST  
CHANGES IN NET POSITION

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2016	2015	2014	2013
Expenses:				
Governmental activities:				
General government	\$ 3,335,882	\$ 3,332,153	\$ 3,401,844	\$ 3,631,087
Public safety	14,853,065	14,194,696	13,112,376	13,042,863
Public works	20,500,898	20,092,962	16,586,125	15,675,226
Development services	3,085,798	2,952,975	3,365,898	2,276,925
Management services	4,282,761	3,851,942	3,921,282	3,573,679
Community services	3,513,867	3,583,291	2,982,195	2,860,468
Redevelopment/economic development	1,303,781	1,399,347	1,257,816	1,129,619
Interest on long-term debt	355,732	383,724	415,851	437,281
Total governmental activities expenses	<u>51,231,784</u>	<u>49,791,090</u>	<u>45,043,387</u>	<u>42,627,148</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	29,163	24,083	351	19,310
Public safety	539,537	445,789	585,640	403,329
Public works	1,557,687	1,201,162	972,382	2,440,566
Development services	4,007,925	2,892,724	3,809,208	1,730,035
Management services	22,175	19,212	36,251	-
Community services	796,292	562,548	325,946	1,129,883
Operating grants and contributions	3,883,399	4,407,227	4,355,113	4,003,150
Capital grants and contributions	31,307,562	33,597,542	34,320,520	1,669,232
Total governmental activities program revenues	<u>42,143,740</u>	<u>43,150,287</u>	<u>44,405,411</u>	<u>11,395,505</u>
Total primary government program revenues	<u>42,143,740</u>	<u>43,150,287</u>	<u>44,405,411</u>	<u>11,395,505</u>
Net revenues (expenses):				
Governmental activities	<u>(9,088,044)</u>	<u>(6,640,803)</u>	<u>(637,976)</u>	<u>(31,231,643)</u>
Total net revenues (expenses)	<u>(9,088,044)</u>	<u>(6,640,803)</u>	<u>(637,976)</u>	<u>(31,231,643)</u>
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	16,481,857	15,556,617	14,999,228	14,395,454
Sales taxes	15,425,638	13,810,581	13,333,699	13,063,075
Transient occupancy taxes	3,575,733	3,406,661	3,140,515	2,823,471
Other taxes	2,565,754	2,620,206	2,358,139	2,249,330
Motor vehicle in lieu, unrestricted	-	-	-	33,397
Investment income	893,502	304,820	324,078	215,956
Other general revenues	453,558	465,899	872,777	1,369,432
Total governmental activities	<u>39,396,042</u>	<u>36,164,784</u>	<u>35,028,436</u>	<u>34,150,115</u>
Total primary government	<u>39,396,042</u>	<u>36,164,784</u>	<u>35,028,436</u>	<u>34,150,115</u>
Changes in net position-Governmental activities before extraordinary items	30,307,998	29,523,981	34,390,460	2,918,472
Loss on sale of property	(893,458)	-	-	-
Gain on transfer to Successor Agency	-	-	-	-
Repayment of redevelopment agency transfers	-	-	-	-
Changes in net position-Governmental activities	<u>29,414,540</u>	<u>29,523,981</u>	<u>34,390,460</u>	<u>2,918,472</u>
Total primary government	<u>\$ 29,414,540</u>	<u>\$ 29,523,981</u>	<u>\$ 34,390,460</u>	<u>\$ 2,918,472</u>

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 4,431,490	\$ 4,377,337	\$ 4,621,487	\$ 4,785,915	\$ 4,203,569	\$ 3,411,235
12,727,476	12,873,177	12,999,563	12,732,649	12,452,930	10,348,994
18,319,374	16,115,328	16,921,113	17,401,277	17,924,671	13,234,911
3,157,839	2,660,830	2,838,603	2,735,908	3,040,972	3,754,817
1,925,802	1,606,779	1,756,235	1,837,806	1,450,824	1,385,050
3,196,803	3,058,292	3,102,590	2,963,331	2,673,227	2,473,802
2,470,827	2,958,997	1,477,888	1,455,462	1,006,979	1,283,418
789,553	332,045	349,056	387,717	384,850	342,025
47,019,164	43,982,785	44,066,535	44,300,065	43,138,022	36,234,252
24,229	29,311	20,888	20,192	8,759	4,933
455,602	560,819	490,693	560,612	570,473	512,079
1,343,146	936,195	121,098	120,296	116,808	87,701
1,712,059	1,388,941	1,358,687	1,031,280	1,666,111	1,654,938
-	-	-	-	-	-
679,038	272,446	446,320	177,438	150,790	109,908
4,082,601	4,830,388	5,444,395	4,900,050	4,755,995	4,475,783
23,696,197	12,396,561	1,298,378	13,730	1,051,710	29,406
31,992,872	20,414,661	9,180,459	6,823,598	8,320,646	6,874,748
31,992,872	20,414,661	9,180,459	6,823,598	8,320,646	6,874,748
(15,026,292)	(23,568,124)	(34,886,076)	(37,476,467)	(34,817,376)	(29,359,504)
(15,026,292)	(23,568,124)	(34,886,076)	(37,476,467)	(34,817,376)	(29,359,504)
17,348,415	17,314,284	15,701,434	17,045,323	16,150,989	15,955,895
13,046,917	12,630,144	10,912,353	12,482,010	13,676,717	15,278,307
2,670,446	2,439,443	1,939,344	2,227,264	2,813,764	2,657,295
2,229,573	2,269,023	2,237,285	2,354,422	2,287,907	2,815,753
40,353	398,659	230,061	266,153	346,806	494,643
350,785	479,877	1,179,089	2,544,784	5,090,792	4,335,205
3,094,968	418,151	304,932	131,494	829,645	114,959
38,781,457	35,949,581	32,504,498	37,051,450	41,196,620	41,652,057
38,781,457	35,949,581	32,504,498	37,051,450	41,196,620	41,652,057
23,755,165	12,381,457	(2,381,578)	(425,017)	6,379,244	12,292,553
-	-	-	-	-	-
2,229,560	-	-	-	-	-
(4,176,998)	-	-	-	-	-
21,807,727	12,381,457	(2,381,578)	(425,017)	6,379,244	12,292,553
\$ 21,807,727	\$ 12,381,457	\$ (2,381,578)	\$ (425,017)	\$ 6,379,244	\$ 12,292,553

CITY OF LAKE FOREST

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	2016	2015	2014	2013
General fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The presentation of fiscal years in this schedule is intended to be consistent with the implementation of GASB 34.

General fund:				
Nonspendable	\$ 178,475	\$ 303,476	\$ 163,350	\$ 267,395
Restricted	1,043,297	-	-	-
Assigned	8,849,600	8,222,100	8,149,100	-
Unassigned	<u>33,963,474</u>	<u>38,472,716</u>	<u>34,469,805</u>	<u>42,921,495</u>
Total general fund	<u>\$ 44,034,846</u>	<u>\$ 46,998,292</u>	<u>\$ 42,782,255</u>	<u>\$ 43,188,890</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ 326,000
Restricted	56,647,312	29,800,383	21,073,548	18,042,527
Assigned	9,883,339	2,927,234	3,814,142	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,900,136)</u>
Total all other governmental funds	<u>\$ 66,530,651</u>	<u>\$ 32,727,617</u>	<u>\$ 24,887,690</u>	<u>\$ 16,468,391</u>

Note: GASB 54 was implemented in year ended June 30, 2011, prior year's have no comparable data.

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ -	\$ -	\$ 2,182,459	\$ 2,214,135	\$ 2,168,178	\$ 2,606,143
-	-	73,122,377	96,323,995	96,126,716	86,956,185
\$ -	\$ -	\$ 75,304,836	\$ 98,538,130	\$ 98,294,894	\$ 89,562,328
\$ -	\$ -	\$ 1,462,562	\$ 153,024	\$ 518,773	\$ 264,980
-	-	5,758,225	6,457,552	6,525,839	5,669,706
-	-	18,862,833	(719,171)	(50,336)	-
-	-	3,562,986	3,189,786	1,673,051	471,026
\$ -	\$ -	\$ 29,646,606	\$ 9,081,191	\$ 8,667,327	\$ 6,405,712
\$ 198,110	\$ 166,614	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
40,982,087	55,302,963	-	-	-	-
\$ 41,180,197	\$ 55,469,577	\$ -	\$ -	\$ -	\$ -
\$ 524,110	\$ 4,814	\$ -	\$ -	\$ -	\$ -
15,772,134	9,720,988	-	-	-	-
18,506,771	24,498,506	-	-	-	-
40,967,573	(52,959)	-	-	-	-
\$ 75,770,588	\$ 34,171,349	\$ -	\$ -	\$ -	\$ -

## CITY OF LAKE FOREST

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	2016	2015	2014	2013
Revenues:				
Taxes	\$ 38,048,982	\$ 35,394,068	\$ 33,831,580	\$ 32,531,330
Licenses and permits	2,790,321	2,200,371	2,640,893	683,862
Intergovernmental	5,299,236	5,290,837	5,680,608	6,310,356
Charges for services	3,622,922	2,499,356	2,503,247	1,684,363
Developer contributions	30,398,863	18,099,875	32,492,822	2,920,636
Fines and forfeitures	539,537	445,789	585,640	403,329
Investment income	743,633	184,350	203,521	93,036
Other	560,925	660,722	1,550,729	1,906,036
Total revenues	<u>82,004,419</u>	<u>64,775,368</u>	<u>79,489,040</u>	<u>46,532,948</u>
Expenditures:				
Current:				
General government	3,581,304	3,420,787	3,243,702	3,620,347
Public safety	14,814,171	14,174,946	13,111,640	13,033,454
Public works	11,856,321	10,209,731	8,902,113	8,901,096
Development services	3,085,798	2,952,975	3,365,898	2,276,925
Management services	8,023,916	3,699,805	3,766,966	3,414,653
Community services	3,511,798	3,580,642	2,980,126	2,857,399
Redevelopment/economic development	1,614,624	1,399,347	1,257,817	1,285,719
SERAF payment to State	-	-	-	-
Capital outlay	3,257,753	12,195,149	35,175,690	26,824,641
Debt service:				
Principal retirement	735,000	700,000	995,000	-
Interest and fiscal charges	358,146	386,022	419,118	432,021
Pass-through payments	-	-	-	-
Total expenditures	<u>50,838,831</u>	<u>52,719,404</u>	<u>73,218,070</u>	<u>62,646,255</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,165,588</u>	<u>12,055,964</u>	<u>6,270,970</u>	<u>(16,113,307)</u>
Other financing sources (uses):				
Transfers in	10,784,300	1,511,022	11,815,048	4,587
Transfers out	(10,784,300)	(1,511,022)	(11,815,048)	(4,587)
Proceeds on exchange of land	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Premium on debt issue	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 31,165,588</u>	<u>\$ 12,055,964</u>	<u>\$ 6,270,970</u>	<u>\$ (16,113,307)</u>
Debt service as a percentage of non-capital expenditures	2.3%	2.6%	3.5%	1.2%

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 35,295,352	\$ 34,652,894	\$ 33,602,398	\$ 35,595,068	\$ 37,844,313	\$ 32,814,833
672,455	513,965	513,001	483,310	505,260	643,158
5,541,814	5,746,688	6,554,126	4,798,406	7,922,679	12,392,899
1,495,078	1,341,009	1,437,291	863,867	1,441,696	1,209,977
1,499,118	750,000	-	-	-	-
455,603	557,083	487,085	556,560	565,983	505,457
276,011	327,868	1,226,620	2,654,323	5,317,333	4,669,655
3,480,543	666,952	370,634	221,942	553,073	319,464
48,715,974	44,556,459	44,191,155	45,173,476	54,150,337	52,555,443
4,371,323	4,080,480	4,411,123	4,588,334	3,927,372	3,331,061
12,706,470	12,847,909	12,953,360	12,709,337	12,418,604	10,315,572
9,102,263	8,585,160	8,760,691	8,628,070	8,456,483	7,156,432
3,066,889	2,564,139	2,762,563	2,677,232	3,009,043	2,662,422
2,648,656	1,489,604	1,606,047	1,746,164	1,415,093	1,347,789
3,193,906	3,054,343	3,084,891	2,947,541	2,673,017	2,476,122
1,065,433	1,517,755	1,477,888	1,455,462	1,159,575	1,276,767
-	249,002	1,209,535	-	-	-
25,189,687	24,672,951	8,756,989	7,698,639	8,442,215	5,503,543
235,000	225,000	220,000	215,000	210,000	205,000
571,068	322,138	339,500	364,548	389,260	407,236
1,510,394	1,532,740	1,602,447	1,486,049	1,381,494	1,249,385
63,661,089	61,141,221	47,185,034	44,516,376	43,482,156	35,931,329
(14,945,115)	(16,584,762)	(2,993,879)	657,100	10,668,181	16,624,114
901,704	24,389,199	23,531,247	1,630,931	1,442,832	1,980,525
(927,733)	(24,389,199)	(23,531,247)	(1,630,931)	(1,442,832)	(1,980,525)
-	-	-	-	326,000	-
10,965,000	-	-	-	-	-
-	-	-	-	-	-
10,938,971	-	-	-	326,000	-
\$ (4,006,144)	\$ (16,584,762)	\$ (2,993,879)	\$ 657,100	\$ 10,994,181	\$ 16,624,114
1.7%	1.4%	1.3%	1.5%	1.6%	1.9%

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CITY OF LAKE FOREST

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE  
OF TAXABLE PROPERTY

Last Ten Fiscal Years  
(in thousands of dollars)

Fiscal Year Ended June 30	Residential	Commercial	Industrial	Misc.	Total Secured	Unsecured	Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value (2)	Factor of Taxable Assessed Value (2)
2016	\$ 8,745,124	\$ 1,757,313	\$ 1,196,728	\$108,993	\$ 11,808,158	\$ 764,235	\$ 12,572,393	0.094%	\$ 21,278,015	1.69244
2015	8,181,992	1,717,288	1,140,991	76,036	11,116,307	804,932	11,921,239	0.094%	18,264,832	1.532125
2014	7,617,416	1,702,038	1,222,872	79,979	10,622,305	610,661	11,232,966	0.094%	17,349,154	1.544486
2013	7,436,920	1,601,855	1,161,150	78,415	10,278,340	633,967	10,912,307	0.094%	13,082,431	1.1988869
2012	7,366,787	1,574,783	1,143,125	55,163	10,139,858	610,489	10,750,347	0.094%	13,151,373	1.223344
2011	7,167,735	1,597,821	1,162,907	61,362	9,989,825	676,167	10,665,992	0.094%	10,591,546	0.99302
2010	7,159,114	1,683,444	1,234,199	63,548	10,140,305	668,440	10,808,745	0.094%	11,232,707	1.039224
2009	7,690,343	1,463,499	1,117,041	291,831	10,562,714	619,832	11,182,546	0.108%		
2008	7,697,469	1,364,379	978,603	284,144	10,324,595	570,109	10,894,704	0.108%		
2007	7,222,303	1,195,917	925,811	277,545	9,621,576	534,380	10,155,956	0.107%		

Source: County Assessor data, MuniServices, LLC, 2008-09 and prior: prior year CAFR reports.

(1.) Total direct tax rate is the weighted average city general fund share of the 1% Prop 13 rate for all TRA's.

(2.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices.

Based on these calculations a multiplier value was extrapolated and applied to current assessed values.

\* Assessed Values do not include Homeowner Exemptions

Source: Orange County Assessor data, MuniServices, LLC; 2008-09 and prior: prior year Comprehensive Annual Financial Reports

# CITY OF LAKE FOREST

## DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years  
(Rate per \$100 of Taxable Value)

	Fiscal Year			
	2016	2015	2014	2013
Basic Levy:				
City of Lake Forest	0.04186	0.04186	0.04186	0.04186
City of Lake Forest Community Service Area Reorganization	0.07075	0.07075	0.07075	0.07075
City of Lake Forest Lighting Fund	0.01692	0.01692	0.01692	0.01692
City of Lake Forest AB1406	0.01167	0.01167	0.01167	0.01167
Total City Direct Rate	0.14119	0.14119	0.14119	0.14119
Overlapping Rates				
Saddleback Valley Unified General Fund	0.43637	0.43637	0.43637	0.43637
Educational Revenue Augmentation Fund	0.11103	0.11103	0.11103	0.11103
Orange County Fire Authority	0.10821	0.10821	0.10821	0.10821
South Orange County Community College District	0.08522	0.08522	0.08522	0.08522
Orange County General Fund	0.03103	0.03103	0.03103	0.03103
Orange County Flood Control General Fund	0.01904	0.01904	0.01904	0.01904
Los Alisos Water District General Fund	0.01719	0.01719	0.01719	0.01719
Orange County Library District General Fund	0.01605	0.01605	0.01605	0.01605
Orange County Department of Education	0.01571	0.01571	0.01571	0.01571
Orange County Harbors, Beaches and Parks	0.01472	0.01472	0.01472	0.01472
Orange County Transportation Authority	0.00270	0.00270	0.00270	0.00270
Orange County Vector Control District	0.00108	0.00108	0.00108	0.00108
Orange County Cemetery District	0.00048	0.00048	0.00048	0.00048
Total Basic Levy	1.00000	1.00000	1.00000	1.00000
Additional Levies (Voter-Approved Rates)				
Irvine Ranch Water District	0.028000	0.028000	0.00687	0.00687
Los Alisos Water District (land value only)	0.000000	0.000000	0.00000	0.00000
Metropolitan Water District	0.003500	0.003500	0.00350	0.00350
Orange County Improvement Bonds	0.000000	0.000000	0.00000	0.00000
Orange County Flood Control District	0.000000	0.000000	0.00000	0.00000
Saddleback Valley Unified School District Bond	0.030080	0.028060	0.03207	0.03265
Tustin Union High School District	0.000000	0.000000	0.00000	0.00000
San Joaquin School District	0.000000	0.000000	0.00000	0.00000
Total Voter-Approved Levies	0.06158	0.05956	0.04244	0.04302
Total Tax Rate	1.06158	1.05956	1.04244	1.04302

Notes: There are 126 Tax Rate Areas (TRA) in Lake Forest. The above is for Tax Rate Area 30-015. City tax rates vary significantly by TRA. In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. The 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds. The table has been restated from previously published CAFR and annual reports to reflect a consistent reporting methodology in compliance with GASB 44.

Source: Orange County Auditor/Controller data, MuniServices, 2008-09 and prior: prior year CAFR reports.

Fiscal Year					
2012	2011	2010	2009	2008	2007
0.04186	0.04186	0.04186	0.04186	0.04186	0.04186
0.07075	0.07075	0.07075	0.07075	0.07075	0.07075
0.01692	0.01692	0.01692	0.01692	0.01692	0.01692
0.01167	0.01167	0.01167	0.01167	0.01167	0.01167
0.14119	0.14120	0.1412	0.1412	0.1412	0.1412
0.43637	0.43637	0.43637	0.43637	0.43637	0.43637
0.11103	0.11103	0.11103	0.11103	0.11103	0.11103
0.10821	0.10821	0.10821	0.10821	0.10821	0.10821
0.08522	0.08522	0.08522	0.08522	0.08522	0.08522
0.03103	0.03102	0.03102	0.03102	0.03102	0.03102
0.01904	0.01904	0.01904	0.01904	0.01904	0.01904
0.01719	0.01719	0.01719	0.01719	0.01719	0.01719
0.01605	0.01605	0.01605	0.01605	0.01605	0.01605
0.01571	0.01571	0.01571	0.01571	0.01571	0.01571
0.01472	0.01472	0.01472	0.01472	0.01472	0.01472
0.00270	0.00270	0.00270	0.00270	0.00270	0.00270
0.00108	0.00107	0.00107	0.00107	0.00107	0.00107
0.00048	0.00047	0.00047	0.00047	0.00047	0.00047
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.00687	0.01374	0.01374	0.14674	0.38974	0.01374
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.00370	0.00370	0.00430	0.00430	0.00430	0.00470
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.03163	0.03194	0.03043	0.02834	0.02668	0.03694
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.04220	0.04938	0.04847	0.17938	0.42072	0.05538
1.04220	1.04938	1.04847	1.17938	1.42072	1.05538

CITY OF LAKE FOREST  
PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	2015-16		2006-07	
	Property Tax Revenue	Percent of Total Prop. Tax Revenue	Property Tax Revenue	Percent of Total Prop. Tax Revenue
Oakley Inc.	\$ 163,592,469	1.30%	\$ 95,524,447	0.95%
Avalon Baker Ranch Lp	137,822,063	1.10%	-	0.00%
Orchard Lake Forest Ca Lp	121,045,176	0.96%	-	0.00%
Panasonic Avionics Corp	116,948,903	0.93%	-	0.00%
Eqr Siena Terrace Llc	71,457,566	0.57%	32,189,251	0.32%
Cref Pacific Vista Llc	60,474,031	0.48%	-	0.00%
Icon Pool I La Bsns Pk Llc	57,561,417	0.46%	-	0.00%
Comref So Ca Industrial Sub F	50,474,920	0.40%	-	0.00%
Foothill Pacific Towne Centre	46,816,178	0.37%	29,735,046	0.30%
Acquiport Three Corp	45,591,070	0.36%	39,272,304	0.39%
Toll Ca Vii Lp	44,832,060	0.36%	-	0.00%
Wlco Lf Partners	43,499,520	0.35%	38,093,570	0.38%
Arden Realty Ltd. Ptnshp	42,900,000	0.34%	-	0.00%
Cpus Foothill Plaza Lp	41,118,269	0.33%	-	0.00%
U S Reif Lake Forest Village C	40,127,226	0.32%	-	0.00%
Bp Llc	39,905,858	0.32%	-	0.00%
Lake Forest Income Partners Ll	39,337,058	0.31%	-	0.00%
Np Bellecour Inc.	37,882,713	0.30%	-	0.00%
L M Lake Forest Ii	37,154,286	0.30%	-	0.00%
Metropolitan Life Insurance Co	36,258,016	0.29%	24,657,480	0.24%
Aew Lt 50 Icon Llc	34,000,000	0.27%	32,418,750	0.32%
Wng Spring Lakes Gp	32,560,401	0.26%	-	0.00%
Bayport Serrano Assoc L P	32,381,041	0.26%	-	0.00%
Tri Alpha Energy Inc.	32,114,085	0.26%	-	0.00%
Casa Pacifica	31,422,151	0.25%	27,618,453	0.27%
Montecito Foothills Llc	-	0.00%	65,175,020	0.65%
Prologis California I Llc	-	0.00%	63,303,190	0.63%
Calwest Industrial	-	0.00%	48,704,355	0.48%
Riggs Of Multi Em	-	0.00%	46,802,459	0.46%
Udr Arboretum Apts	-	0.00%	44,996,870	0.45%
Walf Llc	-	0.00%	44,901,702	0.45%
Metropolitan Life	-	0.00%	43,705,504	0.43%
Bedford Towne Centre	-	0.00%	43,436,699	0.43%
Realty Assoc Fund Vi	-	0.00%	37,199,825	0.37%
Shea Baker Ranch Assoc	-	0.00%	36,206,095	0.36%
Bixby Land Co	-	0.00%	30,989,821	0.31%
Ct Foothill 10 241 Llc	-	0.00%	30,885,119	0.31%
Eqr Connor L L C	-	0.00%	30,652,857	0.30%
Fw Ca Lake Forest Village	-	0.00%	29,317,000	0.29%
Stonebridge Investors Ltd.	-	0.00%	26,487,722	0.26%
Buchheim Properties	-	0.00%	26,273,018	0.26%
Ffp Llc	-	0.00%	25,124,095	0.25%
Top Twenty-Five Totals	<u>\$ 1,437,276,477</u>	<u>11.43%</u>	<u>\$ 993,670,652</u>	<u>9.87%</u>
City Totals	<u>\$ 12,572,392,599</u>	<u>100.00%</u>	<u>\$ 10,070,570,572</u>	<u>100.00%</u>

Note: Total Property Tax Revenue includes all City property tax and Redevelopment Agency tax increment but excludes Vehicle License Fee Backfill amounts.

CITY OF LAKE FOREST  
PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years **	Total Collections to Date	
		Amount *	Percent of Levy		Amount	Percent of Levy
2016	\$ 7,819,055	\$ 7,659,963	97.97%	\$ -	\$ 7,659,963	97.97%
2015	7,305,141	7,113,455	97.38%	-	7,113,455	97.38%
2014	6,949,847	6,773,880	97.47%	-	6,773,880	97.47%
2013	6,774,000	6,574,158	97.05%	-	6,574,158	97.05%
2012	6,676,320	6,338,961	94.95%	-	6,338,961	94.95%
2011	6,666,925	6,353,021	95.29%	-	6,353,021	95.29%
2010	7,150,970	6,906,250	96.58%	160,597	7,066,847	98.82%
2009	7,423,259	7,084,651	95.44%	270,660	7,355,311	99.08%
2008	7,536,302	7,220,535	95.81%	281,539	7,502,074	99.55%
2007	6,972,404	6,671,669	95.69%	138,162	6,809,831	97.67%

\* City property tax only, excluding prior year, penalties and interest. Includes secured apportionment only.

\*\* These amounts consist of "prior year" taxes (excluding penalties and interest) remitted in the subsequent fiscal year from Fiscal Year 2005-06 forward; the Orange County Auditor Controller's Office aggregates these payments and does not provide detail on allocations to particular years. Penalties and interest were not recorded separately prior to Fiscal Year 2004-05.

CITY OF LAKE FOREST

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Certificates of Participation	Total Governmental Activities	Total Primary Government	Percentage of Total Assessed Valuation	Percentage of Personal Income	Debt Per Capita
2016	\$ 8,535,000	\$ 8,535,000	\$ 8,535,000	0.07%	*	\$ 107
2015	9,270,000	9,270,000	9,270,000	0.08%	5.06%	116
2014	9,970,000	9,970,000	9,970,000	0.09%	5.75%	125
2013	10,965,000	10,965,000	10,965,000	0.10%	6.61%	137
2012	10,965,000	10,965,000	10,965,000	0.10%	6.65%	137
2011	8,100,000	8,100,000	8,100,000	0.08%	5.26%	102
2010	8,325,000	8,325,000	8,325,000	0.08%	5.66%	106
2009	8,545,000	8,545,000	8,545,000	0.08%	5.88%	110
2008	8,760,000	8,760,000	8,760,000	0.08%	5.62%	113
2007	8,970,000	8,970,000	8,970,000	0.09%	5.85%	114

\* Data is unavailable

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF LAKE FOREST  
DIRECT AND OVERLAPPING DEBT  
June 30, 2016

	Total Debt 6/30/2016	% Applicable (1)	City's Share of Debt
<b>Direct and Overlapping Tax and Assessment Debt:</b>			
Metropolitan Water District	\$ 92,865,000	0.516%	\$ 479,183
Saddleback Valley Unified School District	117,270,000	36.515%	42,821,141
Irvine Ranch Water District I.D. No. 125	180,362,980	16.907%	30,493,969
Irvine Ranch Water District I.D. No. 188	1,711,000	100.000%	1,711,000
Irvine Ranch Water District I.D. No. 225	233,068,360	19.086%	44,483,480
Orange County Community Facilities 87-4	13,907,991	100.000%	13,907,991
<b>TOTAL DIRECT &amp; OVERLAPPING TAX &amp; ASSESSMENT DEBT</b>			<b>133,896,764</b>
<b>Overlapping General Fund Obligation Debt:</b>			
Orange County General Fund Obligations	\$ 124,614,000	2.540%	\$ 3,165,196
Orange County Pension Obligation	353,417,858	2.540%	8,976,814
Orange County Board of Education			
Certificates of Participation (COPS)	14,840,000	2.540%	376,936
Municipal Water District of Orange County Water Facilities Corporation	2,770,000	3.027%	83,848
<b>City of Lake Forest Certificates of Participation</b>	<b>8,535,000</b>	<b>100%</b>	<b>8,535,000</b>
<b>TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>			<b>21,137,793</b>
Less: MWDOC Water Facilities Corporation (100% self-supporting)			83,848
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ 21,053,945</b>
<b>Overlapping Tax Increment Debt (Successor Agencies)</b>			
City of Lake Forest El Toro Road Improvements Certificates of Participation	\$ 6,865,000	97.243%	\$ 6,675,732
Orange County Neighborhood Project Tax Allocation Bonds	11,615,000	30.327%	3,522,481
<b>TOTAL OVERLAPPING TAX INCREMENT DEBT</b>			<b>10,198,213</b>
<b>TOTAL DIRECT DEBT</b>			<b>\$ 8,535,000</b>
<b>TOTAL GROSS OVERLAPPING DEBT</b>			<b>\$ 156,697,770</b>
<b>TOTAL NET OVERLAPPING DEBT</b>			<b>\$ 156,613,922</b>
<b>GROSS COMBINED TOTAL DEBT</b>			<b>\$ 165,232,770 (2)</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$ 165,148,922</b>

(1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed proeprty value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed valuation within the boundaries of the City divided by the tota taxable assessed value.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded capital lease obligations

CITY OF LAKE FOREST  
DIRECT AND OVERLAPPING DEBT  
June 30, 2016

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Ratios to 2015-16 Assessed Valuation:

2015-16 Assessed Valuation	\$ 12,672,969,354
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Total Overlapping Tax and Assessment Debt	1.06%
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Ratios to Assessed Valuation:

<b>Gross Combined Direct Debt (\$8,535,000)</b>	<b>0.07%</b>
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Gross Combined Total Debt	1.30%
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Net Combined Total Debt	1.30%
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Ratios to Redevelopment Incremental Value (\$733,250,475)

Total Overlapping Tax Increment Debt	1.39%
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Notes:

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.



# CITY OF LAKE FOREST

## LEGAL DEBT MARGIN INFORMATION

### Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Assessed Value of all Real and Personal Property</u>	<u>Debt Limit Percentage</u>	<u>Debt Limit</u>	<u>Amount of Debt Applicable to Debt Limit</u>	<u>Legal Debt Margin</u>
2016	\$ 12,672,969,354	15%	\$ 1,900,945,403	\$ -	\$ 1,900,945,403
2015	11,921,239,173	15%	1,788,185,876	-	1,788,185,876
2014	11,238,774,618	15%	1,685,816,193	-	1,685,816,193
2013	10,885,724,192	15%	1,632,858,629	-	1,632,858,629
2012	10,721,083,140	15%	1,608,162,471	-	1,608,162,471
2011	10,744,518,458	15%	1,611,677,769	-	1,611,677,769
2010	10,915,562,030	15%	1,637,334,305	-	1,637,334,305
2009	11,189,196,810	15%	1,678,379,522	-	1,678,379,522
2008	10,896,487,851	15%	1,634,473,178	-	1,634,473,178
2007	10,155,956,671	15%	1,523,393,501	-	1,523,393,501

Source: City Finance Department

CITY OF LAKE FOREST  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2016	83,910	*	*	*
2015	80,070	\$ 183,052,341	57,749	2.9%
2014	79,139	173,305,650	55,096	3.3%
2013	78,501	165,857,885	54,519	4.3%
2012	78,036	164,970,595	52,342	4.8%
2011	77,481	154,131,535	50,440	5.3%
2010	78,720	147,138,449	48,760	6.6%
2009	78,344	145,247,447	48,624	6.2%
2008	78,317	155,925,156	52,720	3.6%
2007	78,243	153,446,641	52,342	2.6%

\* Data is unavailable.

Sources: (1) State Department of Finance  
(2) Bureau of Economic Analysis (Orange County data)  
(3) California Employment Development Department (Lake Forest data)

## CITY OF LAKE FOREST

## PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2016		2007	
	Number of Employees <sup>1</sup>	Percent of Total Employment	Number of Employees	Percent of Total Employment
Panasonic Avionics	2,122	4.65%	780	2.06%
Oakley Inc.	1,987	4.36%	-	0.00%
Loan Depot	1,890	4.14%	-	0.00%
Schneider Electric (formerly Invensys Corporation)	550	1.21%	-	0.00%
Spectrum Brands HHI	474	1.04%	-	0.00%
Bal Seal Engineering	447	0.98%	-	0.00%
Home Depot USA Inc.	307	0.67%	-	0.00%
Alcon Research	315	0.69%	-	0.00%
Wal-Mart	315	0.69%	-	0.00%
Apria Healthcare Group Inc.	307	0.67%	-	0.00%
Dynacast	250	0.55%	-	0.00%
Quantum Fuel Systems	180	0.39%	-	0.00%
Ossur Americas	164	0.36%	-	0.00%
Western Digital Corp	-	0.00%	1,158	3.06%
Acropower Corp	-	0.00%	800	2.12%
Price Pfister Inc.	-	0.00%	800	2.12%
Next Link Technology Inc.	-	0.00%	550	1.46%
Beech Street Corp.	-	0.00%	350	0.93%
First Franklin Financial Corp.	-	0.00%	300	0.79%
Wonderware Corp.	-	0.00%	300	0.79%
Journey Electrical Techs	-	0.00%	250	0.66%
Tyson Fresh Meats Inc	-	0.00%	250	0.66%
Eventz Extraordinaire Inc.	-	0.00%	250	0.66%
Saddle Back Valley Community	-	0.00%	250	0.66%
Insight Health Corp.	-	0.00%	205	0.54%
	9,308	20.40%	6,243	16.51%
Total Employment <sup>2</sup>	45,600		37,800	

Source: <sup>1</sup> Information Provided by Companies<sup>2</sup> California Employment Development Department - October 2016

CITY OF LAKE FOREST  
FULL-TIME AND PART-TIME CITY EMPLOYEES  
BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	<u>Full-Time and Part-Time Employees as of June 30,</u>									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General government	33	30	30	32	28	28	28	31	28	26
Public works	16	13	12	12	13	13	12	14	14	14
Development services	9	9	11	10	15	15	16	17	17	14
Community services <sup>2</sup>	85	87	66	74	61	55 <sup>1</sup>	25	26	21	20
Police services	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>0</u>
Total	<u>144</u>	<u>140</u>	<u>120</u>	<u>129</u>	<u>118</u>	<u>112</u>	<u>82</u>	<u>90</u>	<u>81</u>	<u>74</u>

1 Hours for part-time positions were previously summed to equal a full-time position. Beginning in 2011, each part-time position is counted individually.

CITY OF LAKE FOREST  
OPERATING INDICATORS  
BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police: <sup>1</sup>										
Arrests	843	718	829	1,073	975	886	1,080	723	954	1,050
Number of calls responded to	30,447	23,093	23,187	23,563	24,114	25,006	24,505	25,452	26,371	27,531
Public works:										
Street resurfacing (miles)	10	16	9	7	9	25	25	8	20	12
Parks and recreation:										
Number of recreation classes <sup>2</sup>	1,127	993	883	698	782	775	590	522	225	104
Number of facility rentals	679	439	349	331	241	226	1,487	63	11	4

<sup>1</sup> Police services are contracted through the County of Orange.

<sup>2</sup> The City contracts with the Saddleback Valley Unified School District for various recreation services; the number of classes shown above represents classes offered directly by the City.

CITY OF LAKE FOREST  
CAPITAL ASSET STATISTICS  
BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Public works:										
Streets (miles)	196	196	194	194	188	188	188	188	188	188
Traffic signals	97	98	97	97	95	95	95	94	93	92
Parks and recreation:										
Parks	29	29	27	27	27	27	27	27	27	21
Community centers	2	2	1	1	1	1	1	1	1	1

Source: City of Lake Forest